JPRS-CEA-86-026

14 March 1986

China Report

ECONOMIC AFFAIRS

THIRTY-FIVE GLORIOUS YEARS, 1949-1984

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-026

14 March 1986

CHINA REPORT

ECONOMIC AFFAIRS

THIRTY-FIVE GLORIOUS YEARS, 1949-1984

Beijing GUANGHUI DE SANSHIWU NIAN, 1949-1984 [THIRTY-FIVE GLORIOUS YEARS] in Chinese July 1984 pp 1-171, plus 6 pages of charts and graphs

[Text of book edited by the PRC State Statistical Bureau, published by China Statistics Publishers]

CONTENTS

Charts and Graphs 1

Preface 7

Table of Contents 9

Chapter 1. Brilliant Achievements in National Economic and Social Development 14

Chapter 2. Population 34

Chapter 3. Geographic Conditions and Natural Resources 42

Chapter 4. Gratifying Returns on Fixed-Asset Investment 48

Chapter 5. Agricultural Reform and Development 59

Chapter 6. Industry Advancing in Gigantic Strides 76

Chapter 7. Continued Development of Transportation, Posts and Telecommunications 93

Chapter 8. Continued Growth of the Construction Industry 105

Chapter 9. The Thriving Market 111

Chapter 10. Basic Stability of Market Prices 123

Chapter 11. Growth of Foreign Economic Relations and Trade 130

Chapter 12. Continued Growth of State Finance 139

Chapter 13. Vigorous Development of Education, Science, Culture, Public Health, and Sports 145

Chapter 14. An Increasingly Mature and Robust Work Force 159

Chapter 15. Higher Material and Cultural Standards 168

JPRS note:

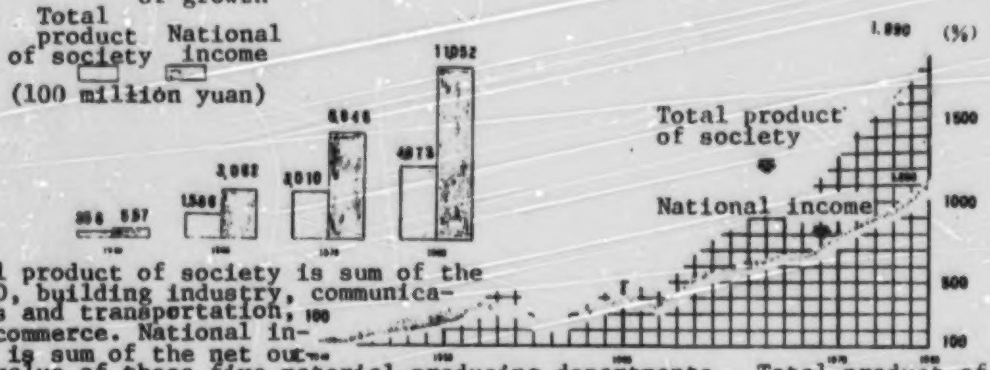
The following abbreviations have been used in this translation:

GVIAO	Gross Value of Industrial and Agricultural Output
GVIO	Gross Value of Industrial Output
GVAO	Gross Value of Agricultural Output

Charts and Graphs

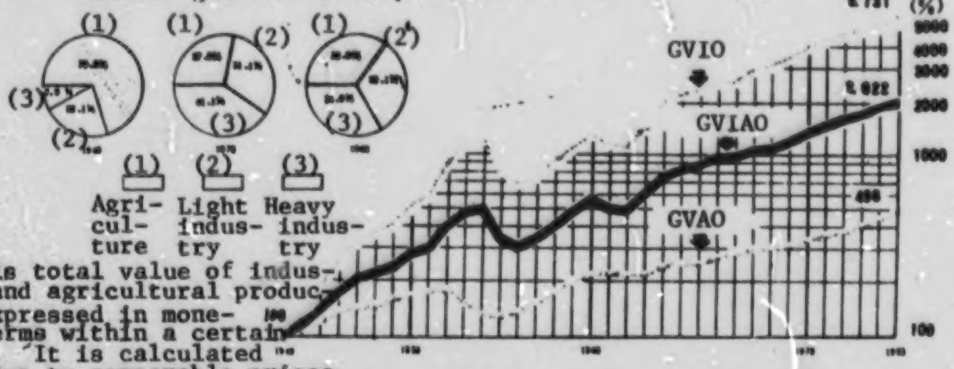
I. The Tremendous Development of the National Economy

Total product of society, national income and their rate of growth



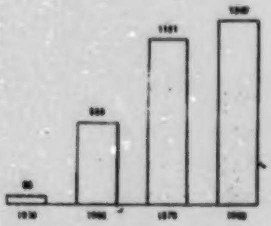
Total product of society is sum of the GVIAO, building industry, communications and transportation, and commerce. National income is sum of the net output value of these five material-producing departments. Total product of society and national income are calculated at current prices; growth rates are calculated at comparable prices.

Rate of growth and composition of GVIAO



GVIAO is total value of industrial and agricultural production expressed in monetary terms within a certain period. It is calculated according to comparable prices.

National revenue (100 million yuan)



The above two graphs show China's great national economic development in following periods:

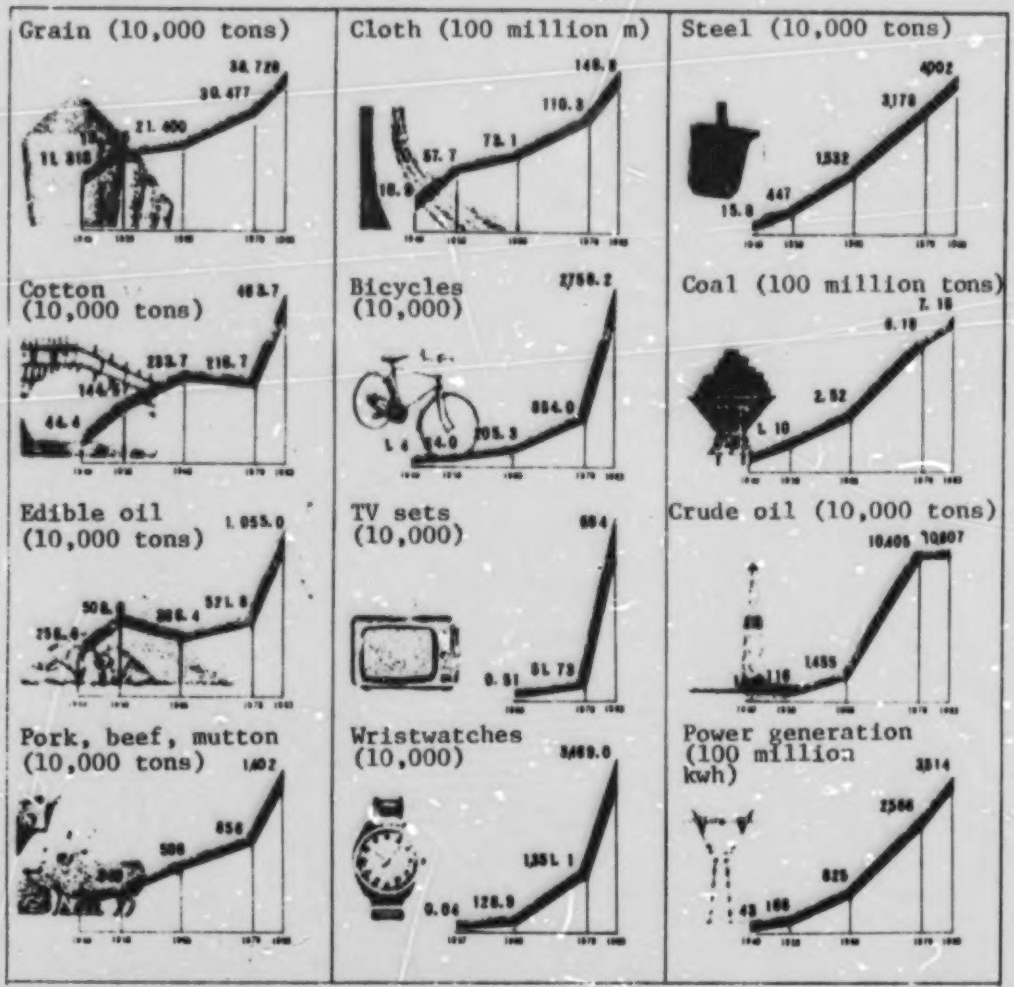
1949-1956: Basic completion of socialist transformation and smooth recovery and development of national economy.

1957-1966: Beginning of nationwide socialist construction and tortuous course of national economic growth.

1966-1976: Progress of national economy despite damage done by "Great Cultural Revolution."

1977-1983: A historic stage of development; steady and healthy development of national economy following the 3d Plenum of the 11th CPC Central Committee.

II. Large Increases in Industrial, Agricultural Output



Changes in China's rank among all countries of the world in outout of major industrial, agricultural products

Grain: 2d in 1949; 1st in 1983
Cotton: 4th in 1949; 1st in 1983
Steel: 26th in 1949; 4th in 1983
Coal: 9th in 1949; 3d in 1983
Crude oil: 27th in 1950; 7th in 1983
Electric power: 25th in 1949; 6th in 1983

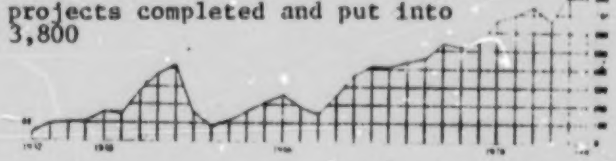
III. Rich Returns on Fixed-Asset Investment

Total fixed-asset investments in state-owned units (100 million yuan)

Total fixed-asset investments in 1950-1983: 1,163,300,000,000 yuan

Of which: capital construction investment: 897 billion yuan

Large and medium-size projects completed and put into operation: more than 3,800

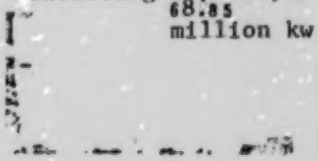


Newly added productive capacity

Coal industry
Amount extracted:
507.17 million tons

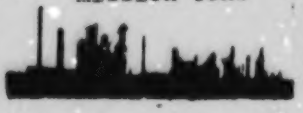
Petroleum industry
Crude oil extracted:
144.58 million tons

Electric power industry
Generating capacity:
68.85 million kw



Metallurgy industry
Steel smelting:
35.58 million tons

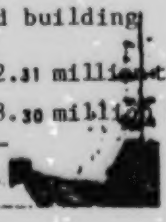
Chemical industry
Chemical fertilizer:
13.58 million tons



Forest and building industry:

Cement: 62.31 million tons

Timber felling and transportation 28.30 million m^3



Machine tool industry

Motor vehicles: 155,000

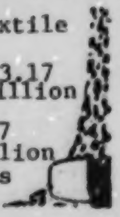
Tractors: 126,000

Machine tools: 333,550

Light and textile industries

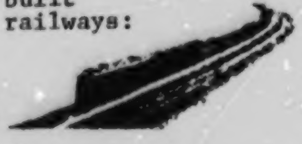
Cotton spindles: 13.17 million

Refined sugar: 4.17 million tons



Railways:

Newly built railways: 25,000 km



Harbors:

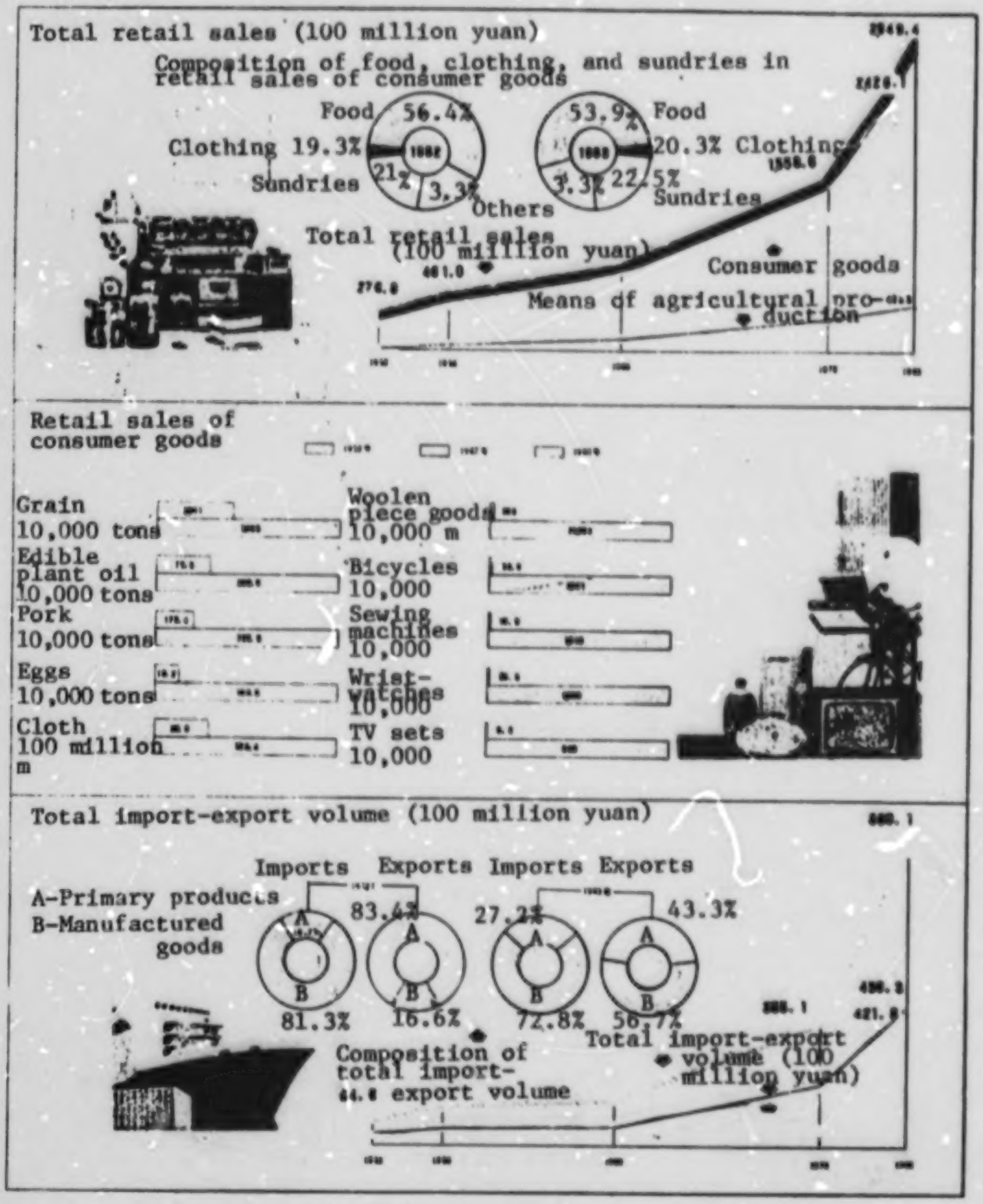
Traffic handling capacity 183.15 million tons

Highways:
Newly built highways:
252,000 km

Water conservancy projects
Total reservoir

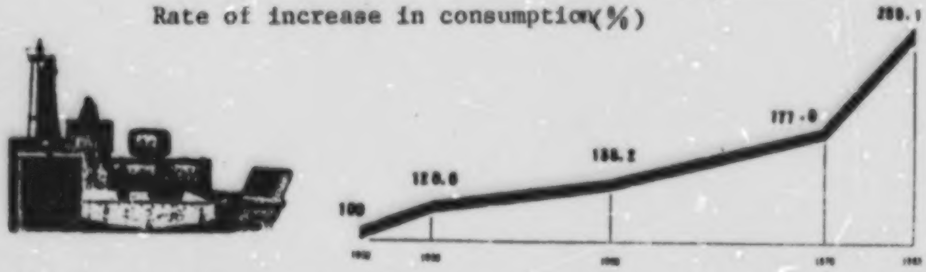
capacity: 420.8 billion m^3

IV. Thriving Urban and Rural Markets, Foreign Trade

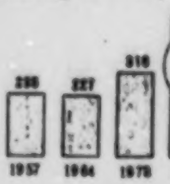


V. Continued Rise in Living Standards

Rate of increase in consumption(%)



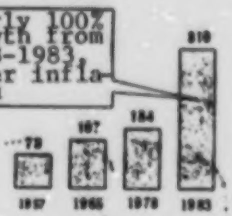
Average per capita income available for living expenses in a working family (yuan)



Growth of 43% from 1978 to 1983, after inflation

Average per capita net income in a peasant family (yuan)

Nearly 100% growth from 1978-1983, after inflation



Average number of durable consumer goods owned per 100 households in 1983

Wristwatches:
Staff worker family: 268
Peasant family: 91

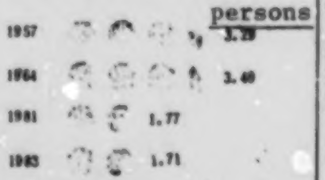
Sewing machines:
Staff worker family: 76
Peasant family: 38

Bicycles:
Staff worker family: 160
Peasant family: 57

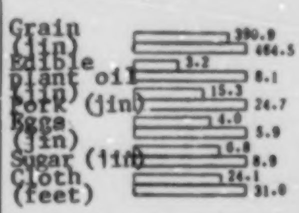
Radios:
Staff worker family: 105
Peasant family: 57

TV sets:
Staff worker family: 83
Peasant family: 4

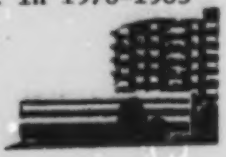
Average number of dependents for an employed person in a working family



Average per capita consumption of major consumer goods

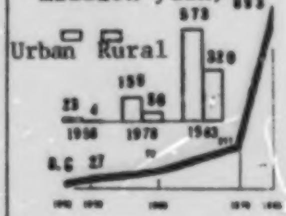


Completed housing area for staff workers:
927 million m^2
Built in 1950-1983, including 395 million m^2 built in 1978-1983



New houses for peasants: 2.8 billion m^2 built in 1979-1983

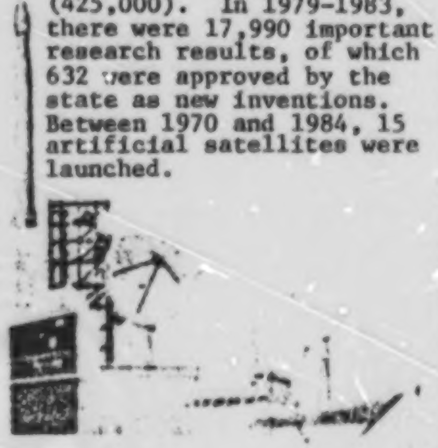
Yearend balance of people's savings deposits (100 million yuan)



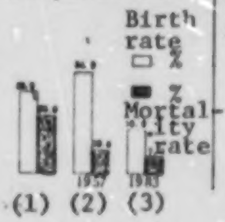
VI. Vigorous Growth of Science, Culture, Education, and Public Health

Great scientific achievements:

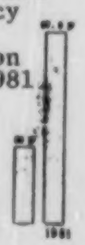
At the end of 1983, there were 6.85 million natural science technicians in state-owned units, 15-fold higher than in 1952 (425,000). In 1979-1983, there were 17,990 important research results, of which 632 were approved by the state as new inventions. Between 1970 and 1984, 15 artificial satellites were launched.



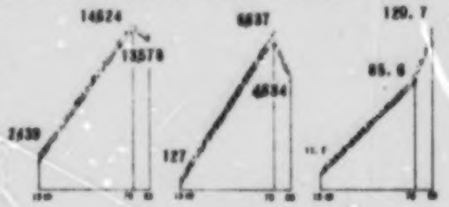
Changes in population reproduction patterns



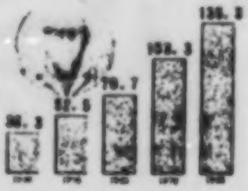
Average life expectancy before liberation and in 1981



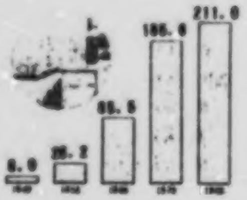
Number of students in various schools (10,000 persons)



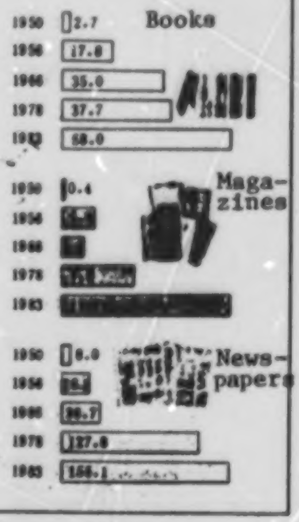
Number of doctors (10,000 persons)



Number of hospital beds (10,000)



Books, magazines, and newspapers published (100 million)



Number of movie projection units and art troupes

Movie projectors		Art troupes	
Yr	No	Yr	No
1949	646	1949	1000
1956	[illegible]	1956	2720
1965	21819	1966	3374
1978	[illegible]	1978	3150
1983	[illegible]	1983	3444

Sports: Since the founding of the People's Republic, 237 persons have broken world records in 108 events on 269 occasions, and 139 persons have won 122 world championships in 53 events.

Key:

1. High birth rate and high mortality rate
2. High birth rate and low mortality rate
3. Low birth rate and low mortality rate

[Text] Preface

The great PRC has passed its 35th anniversary since it was founded in 1949.

In the long history of mankind, 35 years is a very brief period. However, these 35 years have formed a chapter of unprecedented glory for the Chinese people. Since the founding of the People's Republic, people of various nationalities in China, under CPC leadership, have carried out socialist revolution and large-scale economic construction, and turned a poor and backward semicolonial and semifeudal society into a socialist country on its way to prosperity. On its vast territory, an independent and fairly complete industrial system and national economic structure have been established, along with the development of science, education, and culture. The material and cultural lives as well as the spiritual outlook of a billion people have undergone profound changes. Now, full of confidence, they are struggling to build the motherland into a strong socialist state with a high level of civilization and democracy.

The tremendous changes in these 35 years are recognized by the whole world. Under socialist conditions, we have achieved what old China could not possibly achieve. However, building socialism in a huge country with its complex social and economic conditions is an unprecedented task that cannot be accomplished without difficulty. We have had smooth development as well as setbacks in our advance, successful experiences as well as lessons from failures. Nevertheless, if we only review the entire historic course traversed in the past 35 years, we will see that our social and national economic developments have been fairly rapid and that the people's painstaking efforts have borne rich fruits. Furthermore, when freed with setbacks or difficulties, we have always been able to overcome them and reverse the situation by relying on our own efforts and then leading our national economy back to the path of normal development. All this fully demonstrates the superiority of the socialist system.

While celebrating the 35th anniversary of the People's Republic, we have compiled the statistical data of our national economic and social development into one volume to be published under the title "Thirty-Five Glorious Years," as a tribute to the National Day and to be publicized throughout society. The purpose of this volume is to truthfully reflect the great achievements made since the founding of New China on the basis of hard facts and a host of statistical data, and to faithfully record the economic and social changes of various historical periods. Statistics is a powerful tool for understanding society, and figures are a precise language to describe objective realities. In this volume, with accurate and reliable, or essentially reliable, numerical data, we will present before the people the realities of economic and social development since the founding of the People's Republic, including the successes gained as well as the setbacks encountered, rapid growth as well as stagnation and even decline. This volume not only systematically reflects China's economic development from a historical standpoint, but also shows comprehensively the conditions of various sectors of the national economy and their primary relations at present. We believe that an accurate understanding of China's national economic development and a study of the laws governing socialist economic construction in guiding the smooth development of socialist modernization will play an active role in attaining the grand objective of quadrupling GVIAO by the turn of the century.

In compiling this volume, we have made every effort to use pictures, texts, and figures profusely for illustration. In addition to the basic statistical data, a concise description is given at the beginning of each section, and some color graphs and charts are appended in the first part of this volume. Of course, some defects and shortcomings are unavoidable, and we welcome comments and corrections from the readers.

Unless otherwise noted, the statistics in this volume do not include figures for Taiwan Province.

Table of Contents

[page number in original]

Chapter 1. Brilliant Achievements in National Economic and Social Development 1

- Total Product of Society 7
- Indices of Total Product of Society 8
- Gross Value of Industrial and Agricultural Output 9
- Indices of Gross Value of Industrial and Agricultural Output 10
- Composition of Gross Value of Industrial and Agricultural Output 11
- Gross Value of Industrial and Agricultural Output in Various Areas 12
- National Income 13
- National Income Indices 14
- Ratio Between Consumption and Accumulation in National Income 15
- Composition of Consumption in National Income 16
- Composition of Accumulation in National Income 17
- Major Proportionate Relationships in National Economy 18
- Major Economic Indices in Autonomous National Minority Regions 19
- Total Capital Construction Investment in Autonomous National Minority Regions 20
- Educational and Cultural Undertakings for All National Minorities 20

Chapter 2. Population 21

- Population Totals 24
- Composition of Population 25
- Rates of Birth, Mortality, and Natural Growth 26
- Population of Various Regions 27
- Population Classified by Nationalities in Third National Census 28

Chapter 3. Geographic Conditions and Natural Resources 29

- Natural Resources 33

Chapter 4. Gratifying Returns on Fixed-Asset Investment 35

- Total Fixed-Asset Investment of State-Owned Units 39
- Total Capital Construction Investment in Coastal and Interior Regions 40
- Amount of Capital Construction Investment for Various National Economic Sectors 41

Productive and Nonproductive Capital Construction Investment 42
Capital Construction Investment in Agriculture, Light Industry, Heavy Industry 42
Capital Construction Investment in Energy Industry, Transportation, Posts and Telecommunications 43
Increased Productive Capacity for Major Products From Capital Construction 43
Rate of Availability of Fixed Assets in Capital Construction and Proportion of Large and Medium Projects Completed and Put Into Operation 45
Area of Completed Housing Within Capital Construction 45

Chapter 5. Agricultural Reform and Development 46

Gross Value of Agricultural Output 51
Composition of Gross Value of Agricultural Output 52
Acreage of Agricultural Crops 52
Output of Major Agricultural Products 53
Meat Output, Number of Pigs and Sheep 57
Number of Large Animals 58
Output of Aquatic Products 59
Afforested Area 59
Output of Major Agricultural Products Compared With Highest Annual Output Before Liberation 60
Number of Major Farm Machines in Use 61
Mechanized Farming Area and Irrigated Area 62
Chemical Fertilizer Application and Electricity Consumption by Small Hydropower Stations and in Rural Areas 62

Chapter 6. Industry Advancing in Gigantic Strides 63

Gross Value of Industrial Output 68
Indices and Composition of Gross Output Value for Principal Industrial Sectors 69
Output of Major Industrial Products 70
Composition of Total Energy Output 73
Output of Major Industrial Products Compared With Highest Annual Output Before Liberation 74
Industrial Distribution Between Coastal and Interior Regions 75
Major Proportionate Relationships in Industry 77
Major Technical and Economic Indices of Key Industrial Enterprises 78
Indices of Major Economic Results of State-Owned Industrial Enterprises With Independent Accounting 79

Chapter 7. Continued Development of Transportation, Posts and Telecommunications 80

Mileage of Various Transportation Routes 84
Volume of Passenger Traffic 85
Passenger Turnover Volume 86
Volume of Freight Transportation 87
Volume of Freight Turnover 88
Volume of Cargo Handled at Major Seaports 89
Postal and Telecommunications Network 90
Postal and Telecommunications Business Volume 91

Chapter 8. Continued Growth of the Construction Industry 92

Gross and Net Output Value of the Construction Industry 96
Number of Workers in the Construction Industry 97
Economic and Technical Indices of the Construction Industry 97

Chapter 9. The Thriving Market 98

Total Retail Sales 102
Total Retail Sales (According to Economic Form) 103
Consumer Goods Retail Sales 104
Retail Sales of Major Consumer Goods 105
Sales of Agricultural Means of Production 107
Outlets and Personnel in Retail Sales, Catering Trades, and Service Trades 108
Urban and Rural Fairs 109

Chapter 10. Basic Stability of Market Prices 110

Price Indices (Percentage of 1950) 114
Price Indices (Percentage of 1952) 115
Indices of State Prices for Procurement of Agricultural Sideline Products (Percentage of 1950) 116

Chapter 11. Growth of Foreign Economic Relations and Trade 117

Total Volume of Imports, Exports Through Customs 121
Import-Export Commodities Through Customs Classified 121
Import-Export Volume by Foreign Trade Departments 122
Major Commodities Exported in Foreign Trade 123
Major Commodities Imported in Foreign Trade 125

Chapter 12. Continued Growth of State Finance 127

Total State Revenue and Expenditures 131
State Revenue (Breakdown) 132
State Expenditures (Breakdown) 133

Chapter 13. Vigorous Development of Education, Science, Culture, Public Health, and Sports 134

Number of Regular Students in Various Grades 139
Proportion of Female Students in Total Number of Students in Various Grades 139
Number of Graduates of Ordinary High Schools, Secondary Vocational Schools, and Technical Schools 140
Number of Adult Education Students in Various Grades 141
Full-Time Teachers in Schools and in Adult Education (1983) 141
Number of Graduate Students and Persons Awarded Doctor's and Master's Degrees 142
Composition of National Population by Educational Standards 142
Number of Natural Science Technicians in State-Owned Units 143
Composition of Natural Science Technicians in State-Owned Units (1983) 143
Number of Major Research Achievements in Science and Technology 144
Growth Indicators for Culture, Radio, and Television Broadcasting 144
Movie Output 145
Books, Magazines, and Newspapers Published 145
Number of Health Institutions and Hospital Beds 146
Personnel in Health Institutions 146
Mass Sports and Athletes of Various Grades 147
World and National Records Broken 147

Chapter 14. An Increasingly Mature and Robust Work Force 148

Number of Laborers 152
Number of Workers in Various State-Owned Units 153
Number of Workers in Various Urban Collective-Owned Units 154
Number of Individual Laborers in Cities, Classified by Trade 155
Number of Newly Employed Workers in Cities and Towns 156

Chapter 15. Higher Material and Cultural Standards 157

Growth Indicators for Material and Cultural Standards 162
Average Consumption 163
Growth Rate of Consumption 164
Per Capita Consumption of Major Consumer Goods 164
Average Amount of Major Durable Consumer Goods in Use Per 100 Persons 164
Wage Increases for Staff and Workers 165

Factors Behind Growth of Total Wages 165
Average Wages of Staff and Workers in State-Owned Units 166
Average Rate of Growth of Wages for Staff and Workers in State-Owned Units 166
Data from Sample Survey of Income and Expenses of Urban Staff and Worker Families 167
Data from Sample Survey of Income and Expenses of Peasant Families 169
Yearend Savings Deposit Balances in Urban and Rural Areas 171

Chapter 1. Brilliant Achievements in National Economic and Social Development

It has been 35 years since the founding of the great People's Republic of China. During these 35 years, the people of all nationalities in our country, under the leadership of the CPC and the people's government, have carried out socialist revolution and large-scale economic construction, and built the semicolonial and semifeudal old China into a relatively prosperous socialist country.

The brilliant achievements in our national economic and socialist development in the past 30 and more years are mainly shown as follows:

Establishment of a Socialist Economy of Public Ownership

Before liberation, Chinese people suffered from the exploitation and oppression of imperialism, feudalism, and bureaucratic capitalism. Their political status was low and their lives were miserable. After liberation, our government abolished all the special imperialist privileges in China, confiscated the bureaucratic capitalist enterprises, and transformed them into state-owned enterprises. For national industry and commerce, it introduced a whole series of transitional forms of state capitalism and finally accomplished a peaceful redemption. In the countryside, we carried out land reform and enabled those peasants who had little or no land to acquire 700 million mu of land and other means of production. Then we led the peasants and individual handicraftsmen step-by-step onto the road of cooperative movement. In 1956, transformation of the privately owned means of production had been basically completed and a brandnew set of socialist relations were formed to eliminate the exploitation of man by man. All important means of production were taken over by the state or the collectives of the laboring people according to the principle of "from each according to his ability and to each according to his work." The smooth accomplishment of such an in-depth social reform in a large populous country despite the shortcomings and mistakes in the course of socialist transformation can be called a great historical victory. The socialist economy of public ownership continued its consolidation and expansion as a powerful impetus to the development of China's economic construction. Under the predominance of socialist economy, we also permitted the coexistence and development of individual economy to a certain extent as a necessary supplement to the socialist economy. In 1983, industry under the system of socialist public ownership (including the system of state ownership and the system of collective ownership) accounted for 99 percent of the total industrial output value in the country, while individual industry accounted for only 0.1 percent. Of the total volume of retail sales, commerce under the socialist system of public ownership accounted for 88.7 percent; individual commerce, 6.5 percent; and the retail sales by peasants to the nonagricultural population, 4.7 percent. Besides, there were a few industrial and commercial enterprises with Chinese and foreign investments or exclusive foreign investments.

Large-Scale Economic Construction

Old China was economically backward and had a weak industrial foundation. After liberation, large-scale economic construction began in a planned way. From 1950 to 1983, the grand total of capital construction investments for state-owned units was 897 billion yuan, and more than 3,800 large and medium-size projects were completed and put into operation. These projects increased the value of fixed assets by 644 billion yuan and formed fairly strong material and technical foundations for increasing the social productive forces, changing the geographical distribution of production and improving living conditions.

In industrial construction, the total value of industrial fixed assets in the country, based on the original prices, in 1983, compared with 1949, increased 42.5-fold. The productive capacity of the coal, electric power, iron and steel, and textile industries was increased by several or tens of times. At the same time, some new industrial branches were established for the production of motor vehicles, tractors, airplanes, electronic products, and petrochemicals, and for national defense. We have now established a fairly independent and comprehensive industrial system, and the distribution of industry in the country is gradually tending toward being rational. A number of new industrial bases were set up in the vast hinterland where the proportion of industrial output value in the total national industrial output value was increased from 30.6 percent in 1952 to 40.5 percent in 1983.

In agricultural water conservation, new dikes totaling approximately 170,000 km and more than 80,000 reservoirs were built. Flood disasters can now generally be brought under control. The area of farmland with effective irrigation was expanded to 670 million mu. Farm machinery was developed from scratch and by now, we have more than 200 million hp for these machines.

In communications and transportation, the operational mileage of railways in the country was increased from 21,800 km in the early post-liberation period to more than 50,000 km, and many railways have double tracks and electric locomotives with greater hauling capacity. Except for Xizang, all provinces, autonomous regions, and municipalities directly under the central government are now accessible by train. Sichuan did not have any railway in the past, as shown by the old saying that "traveling in Sichuan is as difficult as going up to heaven." Now, five railways, namely, the Baoji-Chengdu, Chengdu-Chongqing, Xiangyang-Chongqing, Chengdu-Kunming, and Sichuan-Guizhou lines, are passing through Sichuan, which has become a transportation hub of the southwest. The railways in Fujian, Xinjiang, Qinghai, and Ningxia were also built from scratch. As to highway transportation, all except 2 of more than 2,000 counties are accessible by motor vehicles. There have also been fairly great developments in water transport, civil aviation, and pipeline transport.

Along with the development of economic construction, the ranks of our scientific and technical workers have continued to expand, and the scientific and technical standards have risen rapidly. In 1983, the number of scientific and technical personnel in state-owned units reached 6.85 million, a 15.1-fold increase over the 425,000 in 1952. In the past 30 and more years, important scientific research results appeared one after another. The appraisal of the "Galaxy" supercomputer, and the successful trial manufacture, launching, and positioning of the experimental communications satellite all indicate that our science and technology have reached fairly high standards.

Great Development in Social Production

Modern industry was begun in old China at the end of the 19th century. In 1949, half a century later, the national economic development was still very slow, and the level of social production was very low. Before liberation, the highest annual output of several industrial products was as follows: steel, 923,000 tons; coal, 61.88 million tons; petroleum, 320,000 tons; electric power, 6 billion kw; and machine tools, 5,390 sets. Old China was known as "founded on agriculture"; yet the highest annual grain output was only 150 million tons and the highest cotton output about 850,000 tons. Even at such a low production level, agriculture had to suffer from the ravages of incessant fighting and the entire economy was paralyzed. In 1949, the output of major industrial and agricultural products was still about half of the highest annual output before liberation. Along with the reform of the relations of production and the planned economic construction after liberation, social production developed rapidly. In the 34 years from 1950 to 1983, the total social output value increased by an average of 9.2 percent, and the national income increased by an average of 7.3 percent each year. A comparison between the output of major industrial and agricultural products in 1983 and the highest annual output before liberation shows the following increases: in steel, a 43.4-fold increase; in coal, an 11.5-fold increase; in crude oil, a 331-fold increase; in electric power, a 58.6-fold increase; in machine tools, a 22.4-fold increase; in grain, a 2.6-fold increase; and in cotton, a 5.5-fold increase. The output of some products is now in the foremost ranks of the world. For example, in 1983, compared with 1949, steel output rose from 26th to 4th place; the output of coal, from 9th to 3d place; electric power, from 25th to 6th place; and petroleum, from 27th to 7th place. Grain and cotton output ranked first in the world and meat output was second to only the United States. We relied on our own efforts to develop social production and increase social wealth, and basically ensured meeting 1 billion people's needs for food and clothing. However, because of our huge population and weak economic foundation, per capita output is still far behind that of the economically developed countries in the world.

Expansion of Domestic and Foreign Trade

Sales on the urban and rural markets have continued to increase along with the developments in industrial and agricultural production. The total retail sales in the country increased from 17.06 billion yuan in 1950 to 284.9 billion yuan in 1983, an average annual increase of 7.5 percent, taking into account retail price fluctuations. In the past several years, while bringing into play the leading role of state-run commerce, we also supported and developed collective and individual commerce and increased the channels of circulation, thus greatly promoting retail sales in various economic forms. Trade fairs were quickly restored and developed.

In the past several years, China has adopted the open door policy and actively developed trade relations and economic and technical cooperation with foreign countries under the principle of equality and mutual benefit. According to customs statistics, since 1981, the total import-export volume has exceeded $40 billion every year, and reached $43.6 billion in 1983. The enterprises run as joint China-foreign ventures and the projects of China-foreign economic cooperation have also developed fairly rapidly. This development has played a positive role in strengthening our economic contacts with foreign countries, adjusting the surplus and shortage of commodities at home, importing advanced technology and equipment and promoting national economic development.

Basically Stable Prices

Old China had financial deficits every year with severe price inflation and hardship for the people. In the early post-liberation period, China quickly established and developed state-run commerce and supply and marketing cooperatives to ensure the supply of the necessary items to the market, and dealt resolute blows to speculation and profiteering. At the same time, efforts were made to increase revenues and curtail expenditures in order to bring government receipts and payments closer to a balance. Then, in a brief period of 2 to 3 years, the malignant price inflation left over by the old government was basically stopped. Market prices were also basically stabilized and have remained so. From 1951 to 1983, the retail price index rose 55.6 percent, averaging 1.35 percent each year. In the past several years, the prices of some commodities, especially vegetables, fruits, and aquatic products have increased considerably. However, because of the ration system, the prices of grain and edible oil have remained stable, although industrial product prices have fluctuated. On the whole, the general index of retail prices from 1979 to 1983 increased an average of only 2.7 percent each year.

Gradual Improvement in the Material and Cultural Lives of the Urban and Rural Population

The low level of production and the irrational distribution of wealth in the old Chinese society resulted in a wide gap between the rich and the poor. The peasants suffered from exploitation in the form of high rents, since, as the old saying goes, "The yield from the farmland was equally shared by the landlord and the tiller." Thus a poor harvest would force many people away from their homes. The workers could not earn enough to feed themselves, and were frequently threatened by unemployment. Their means of subsistence was very uncertain. After liberation, the system of exploitation was abolished and the people's living standards were gradually raised. In 1983, the people's consumption level throughout the country, calculated according to comparable prices, was 1.5-fold higher than in 1952. Particularly in the past several years, the state adopted a series of measures to improve living conditions. From 1979 to 1983, the average income of each person to be used as living expenses in a working family increased at an average rate of 7.4 percent each year after deducting the rise in the prices of the workers' daily necessities, while the net income per person in a peasant family increased at an average rate of 18.3 percent each year. Along with the increase in income, people's food, clothing, sundries, and housing have not only increased in quantity but also improved in quality. The facilities for medical treatment and public health have also been improved. Furthermore, with the widespread development of mass sports, the people are now physically stronger and their life expectancy much longer.

Improvements have been made both in the people's material and cultural lives. At present, compared with 1949, the number of students attending universities, secondary schools, and primary schools have increased 10.3-fold, 36.9-fold, and 5.6-fold, respectively. Sparetime education for adults is now developing vigorously, and 26.3 percent of the workers and staff members in the country are attending technical and cultural classes. The development of movies, television, dramas, and publications has also enriched people's spiritual lives.

Gradual Change in the Backwardness of Minority Areas

China is a multinational country. In addition to the Han, there are 55 minority nationalities. Before liberation, many of them were very economically and culturally backward. After liberation and through the socialist transformation, their status has changed from that of a feudal or slave society directly to that of a socialist society by skipping one or several stages of social development. In those places where minority people live in compact communities, the practice of regional autonomy has aroused people's enthusiasm in strengthening unity and cooperation and in building socialism.

Thanks to the state's vigorous support and the common efforts of the minority peoples in the past 30 and more years, economic construction in the minority areas has developed fairly rapidly. Each year, the state has given these areas financial subsidies, granted various types of loans, and supplied relief funds in addition to fairly large investments. From 1950 to 1983, the amount of capital construction investments totaled 83.94 billion yuan, and the completion of the Baotou iron and steel industry base, the Karamay petroleum industry base, and many large and medium-size construction projects helped promote the economic development of these areas. Their GVIAO increased at an average rate of 7.6 percent each year. In 1983, their GVIAO totaled 62.07 billion yuan, their grain output totaled 40.27 million tons, their cotton output totaled 168,000 tons, their large animals in stock totaled 43.4 million head, their steel output totaled 1.73 million tons, their coal output totaled 65.21 million tons, their crude oil output totaled 6.72 million tons, and their electric power totaled 23.9 billion kwh, all registering large increases over 1949, and many products were developed from scratch. Communications and transportation facilities have also been improved. In 1983, the operational mileage of railways was 12,088 km and that of highways, 230,000 km. Compared with 1949, these mileages have increased 2.4-fold and 19-fold, respectively. The economic inequity among various nationalities left over in history is being gradually changed.

All these achievements can eloquently prove the great vitality of the socialist system and that the socialist road can help China get rid of its poverty and backwardness and become prosperous gradually. Of course, China has also committed serious errors in the course of the arduous and complex task of socialist construction. The precipitous advance beginning in 1958 led to a serious economic imbalance, and we had to spend 5 years, beginning in 1981, in the readjustment. The "Great Cultural Revolution" which began in 1966 was an error affecting the whole country for 10 long years and causing the most grievous setback and damage since the founding of the People's Republic. After the downfall of Jiang Qing's counterrevolutionary clique, the serious consequences of the 10 years of internal turmoil were not adequately assessed, resulting in some exaggerated and impractical slogans and objectives which led to new difficulties in economic development. These mistakes have caused very serious losses and waste in the national economy and prevented China from making such achievements as it should.

The 3d Plenum of the 11th CPC Central Committee held in December 1978 carefully summed up the experiences in economic construction, drew lessons from these experiences, corrected the mistakes, and made the strategic decision that the focus of all work should be shifted to socialist modernization. Then it lay down the principle of readjusting, restructuring, consolidating, and improving the national economy and worked out a series of correct policies to help our national economy embark on the path of stable development once again. In the past 5 years, the output-related responsibility system was adopted in the countryside and economic diversification was actively encouraged. The long stagnation of agricultural production ended and a new upsurge emerged. From 1979 to 1983, GVAO increased at an average rate of 7.9 percent each year and new records were set in the output of grain, cotton, edible oil, sugar, meat, and other major agricultural sideline products. There has also been sustained industrial growth in the course of readjustment. In light industry production, the long backwardness has ended, while in heavy industry, the product mix has been readjusted and the scope of service expanded. The major proportionate relationships in the national economy tended to be basically balanced. In GVIAO, the proportion of agriculture was increased from 27.8 percent in 1978 to 33.9 percent in 1983; that of light industry was increased from 31.1 percent to 32.1 percent; and that of heavy industry dropped from 41.1 percent to 34 percent. In the use of national income, the proportion of accumulation dropped from 36.5 percent to 30 percent in 1983 with a corresponding increase in consumption. A spectacle of prosperity rarely seen before appeared in the urban and rural markets, and living conditions have been fairly greatly improved. There have also been great developments in science, education, public health, and sports. At the same time, we gained marked success and useful experiences in the initial reform of the economic system. However, the backwardness in various fields, formed in history, cannot be completely eliminated in a brief period. For example, production technology is backward, economic management standards are low, the industrial setup is not rational enough, economic results are poor, the people's standards of living are still fairly low, and some people still have difficulty with their livelihood. Therefore, the task of economic readjustment and restructuring is still quite arduous.

Guided by the spirit of the 12th CPC Congress and the 6th NPC, and upholding the four basic principles, we must continue to develop stability, unity, and a lively political stmosphere, and further mobilize the initiative of millions upon millions of people. By giving full play to the superiority of our socialist system, we can certainly attain the grand objective of accomplishing the four socialist modernizations.

Total Product of Society　　Unit: 100 million yuan

Year	Total product of society	Agriculture	Industry	Construction industry	Transportation	Commerce
1949	557	326	140	4	19	68
1950	683	384	191	13	19	76
1951	820	420	264	24	24	88
1952	1,015	461	349	57	35	113
1953	1,241	510	450	85	42	154
1954	1,346	535	515	82	48	166
1955	1,415	575	534	86	50	170
1956	1,639	610	642	146	56	185
1957	1,606	537	704	118	60	187
1958	2,138	566	1,083	202	90	197
1959	2,548	497	1,483	235	121	212
1960	2,679	457	1,637	248	131	206
1961	1,978	559	1,062	90	7[illegible]	191
1962	1,800	584	920	74	62	160
1963	1,956	642	993	97	66	158
1964	2,268	720	1,164	151	72	161
1965	2,695	833	1,402	177	91	192
1966	3,062	910	1,624	197	102	229
1967	2,774	924	1,382	155	86	227
1968	2,648	928	1,285	132	83	220
1969	3,184	948	1,665	222	99	250
1970	3,800	1,058	2,080	271	117	274
1971	4,203	1,107	2,375	311	128	282
1972	4,396	1,123	2,517	323	136	297
1973	4,776	1,226	2,741	335	144	330
1974	4,859	1,277	2,730	376	142	334
1975	5,379	1,343	3,124	437	160	315
1976	5,433	1,378	3,158	435	155	307
1977	6,003	1,400	3,578	462	179	384
1978	6,846	1,567	4,067	569	205	438
1979	7,642	1,896	4,483	645	209	409
1980	8,531	2,180	4,897	767	247	440
1981	9,071	2,460	5,120	747	254	490
1982	9,963	2,785	5,506	912	286	474
1983	11,052	3,121	6,088	1,034	313	496

Note: This table is based on current prices.

Indices of Total Product of Society

Unit: percent

Year	Index		Year	Index	
	Percent of 1952	Percent of previous year		Percent of 1952	Percent of previous year
1949	54.0		1966	301.8	116.9
			1967	272.0	90.1
1950	66.2	122.6	1968	259.2	95.3
1951	79.4	120.1	1969	324.8	125.3
1952	100.0	125.9	1970	403.1	124.1
1953	118.7	118.7	1971	445.2	110.4
1954	128.8	108.5	1972	465.0	104.4
1955	136.6	106.1	1973	505.0	108.6
1956	161.1	117.9	1974	514.6	101.9
1957	170.9	106.1	1975	573.8	111.5
1958	226.7	132.7	1976	581.8	101.4
1959	267.4	118.0	1977	641.7	110.3
1960	280.0	104.7	1978	725.8	113.1
1961	186.2	66.5	1979	787.5	108.5
1962	167.6	90.0	1980	853.7	108.4
1963	184.7	110.2	1981	893.0	104.6
1964	217.0	117.5	1982	977.8	109.5
1965	258.2	119.0	1983	1,074.6	109.9

Average annual growth rate (percent)

First 5-Year Plan	11.3	Fourth 5-Year Plan	7.3
Second 5-Year Plan	-0.4	Fifth 5-Year Plan	8.3
1963-1965	15.5	1953-1983	8.0
Third 5-Year Plan	9.3	1979-1983	8.2

Note: This table is based on comparable prices.

Gross Value of Industrial and Agricultural Output

Unit: 100 million yuan

Year	GVIAO	GVAO	GVIO	within GVIO	
				Gross value of light industry output	Gross value of heavy industry output
1949	466	326	140	103	37
1950	575	384	191	135	56
1951	684	420	264	179	85
1952	810.	461	349	225	124
1953	960	510	450	282	168
1954	1,050	535	515	317	198
1955	1,109	575	534	316	218
1956	1,252	610	642	370	272
1957	1.241	537	704	387	317
1958	1,649	566	1,083	503	580
1959	1,980	497	1,483	616	867
1960	2,094	457	1,637	547	1,090
1961	1,621	559	1,062	451	611
1962	1,504	584	920	434	486
1963	1,635	642	993	445	548
1964	1,884	720	1,164	516	648
1965	2,235	833	1,402	723	679
1966	2.534	910	1,624	796	828
1967	2,306	924	1,382	733	649
1968	2.213	928	1,285	690	595
1969	2,613	948	1,665	837	828
1970	3,138	1,058	2,080	960	1,120
1971	3,482	1.107	2,375	1,020	1.355
1972	3,640	1,123	2,517	1,079	1,438
1973	3,967	1,226	2,741	1,189	1,552
1974	4,007	1,277	2,730	1,213	1,517
1975	4,467	1,343	3,124	1,376	1,748
1976	4,536	1.378	3,158	1,395	1,763
1977	4,978	1,400	3,578	1,573	2.005
1978	5,634	1,567	4.067	1,753	2.314
1979	6,379	1,896	4.483	1,958	2.525
1980	7,077	2.180	4,897	2,309	2,588
1981	7.580	2.460	5.120	2,637	2,483
1982	8,291	2.785	5,506	2,766	2,740
1983	9,209	3.121	6,088	2,954	3,134

Note: This table is based on current prices.

Indices of Gross Value of Industrial and Agricultural Output (1952 = 100)

Year	GVIAO	GVAO	GVIO	within GVIO	
				Light industry output	Heavy industry output
1949	56.3	67.4	40.8	46.6	30.3
1950	69.5	79.3	55.7	60.6	46.7
1951	82.7	86.8	77.0	81.0	69.7
1952	100.0	100.0	100.0	100.0	100.0
1953	114.4	103.1	130.3	126.7	136.9
1954	125.2	106.6	151.6	144.8	163.9
1955	133.5	114.7	160.0	144.8	187.7
1956	155.5	120.5	204.9	173.3	262.3
1957	167.8	124.8	228.6	183.3	310.7
1958	221.9	127.8	353.9	245.1	555.5
1959	265.0	110.4	481.7	299.0	822.7
1960	279.3	96.4	535.7	269.7	1,035.8
1961	192.5	94.1	331.1	211.4	554.2
1962	173.0	99.9	276.1	193.6	429.0
1963	189.6	111.6	299.6	198.1	488.2
1964	222.9	126.7	358.3	233.4	590.7
1965	268.3	137.1	452.9	344.7	651.0
1966	314.7	149.0	547.6	394.7	830.0
1967	284.5	151.2	472.0	366.7	664.0
1968	272.6	147.5	448.4	348.7	630.1
1969	337.4	149.2	602.2	436.6	906.7
1970	424.3	166.3	787.1	515.6	1,290.2
1971	475.9	171.4	904.4	549.1	1,566.3
1972	497.4	171.1	964.1	583.1	1,675.9
1973	543.0	185.5	1,055.7	644.9	1,821.7
1974	550.6	193.2	1,058.9	662.3	1,792.6
1975	616.2	202.1	1,218.8	748.4	2,093.8
1976	626.6	207.1	1,234.6	766.4	2,104.3
1977	693.7	210.6	1,411.1	876.0	2,405.2
1978	779.0	229.6	1,601.6	970.6	2,780.4
1979	845.2	249.4	1,737.7	1,063.8	2,994.5
1980	908.6	259.1	1,888.9	1,259.5	3,036.4
1981	950.4	276.2	1,966.3	1,437.1	2,893.7
1982	1,033.1	306.7	2,117.7	1,519.0	3,177.3
1983	1,138.5	335.9	2,340.1	1,651.2	3,571.3

Composition of Gross Value of Industrial and Agricultural Output

Year	Percentage of GVIAO				Percentage of GVIO	
	Gross output GVAO	GVIO	Gross output value of light industry output	Gross output value of heavy industry output	Gross output value of light industry output	Gross output value of heavy industry output
1949	70.0	30.0	22.1	7.9	73.6	26.4
1950	66.8	33.2	23.5	9.7	70.7	29.3
1951	61.4	38.6	26.2	12.4	67.8	32.2
1952	56.9	43.1	27.8	15.3	64.5	35.5
1953	53.1	46.9	29.4	17.5	62.7	37.3
1954	50.9	49.1	30.2	18.9	61.6	38.4
1955	51.8	48.2	28.5	19.7	59.2	40.8
1956	48.7	51.3	29.6	21.7	57.6	42.4
1957	43.3	56.7	31.2	25.5	55.0	45.0
1958	34.3	65.7	30.5	35.2	46.5	53.5
1959	25.1	74.9	31.1	43.8	41.5	58.5
1960	21.8	78.2	26.1	52.1	33.4	66.6
1961	34.5	65.5	27.8	37.7	42.5	57.5
1962	38.8	61.2	28.9	32.3	47.2	52.8
1963	39.3	60.7	27.2	33.5	44.8	55.2
1964	38.2	61.8	27.4	34.4	44.3	55.7
1965	37.3	62.7	32.3	30.4	51.6	48.4
1966	35.9	64.1	31.4	32.7	49.0	51.0
1967	40.1	59.9	31.8	28.1	53.0	47.0
1968	41.9	58.1	31.2	26.9	53.7	46.3
1969	36.3	63.7	32.0	31.7	50.3	49.7
1970	33.7	66.3	30.6	35.7	46.2	53.8
1971	31.8	68.2	29.3	38.9	43.0	57.0
1972	30.9	69.1	29.6	39.5	42.9	57.1
1973	30.9	69.1	30.0	39.1	43.4	56.6
1974	31.9	68.1	30.3	37.8	44.4	55.6
1975	30.1	69.9	30.8	39.1	44.1	55.9
1976	30.4	69.6	30.7	38.9	44.2	55.8
1977	28.1	71.9	31.6	40.3	44.0	56.0
1978	27.8	72.2	31.1	41.1	43.1	56.9
1979	29.7	70.3	30.7	39.6	43.7	56.3
1980	30.8	69.2	32.6	36.6	47.2	52.8
1981	32.5	67.5	34.7	32.8	51.5	48.5
1982	33.6	66.4	33.4	33.0	50.2	49.8
1983	33.9	66.1	32.1	34.0	48.5	51.5

Note: This table is based on current prices.

Gross Value of Industrial and Agricultural Output in Various Areas (1983)

Unit: 100 million yuan

Area	GVIAO	GVAO	GVIO	within GVIO	
				Gross value of light industry output	Gross value of heavy industry output
National total	9,046.25	2,881.84	6,164.41	3,059.74	3,104.67
Beijing	277.67	27.07	250.60	112.67	137.93
Tianjin	252.07	22.87	229.20	129.97	99.23
Hebei	411.30	158.61	252.69	119.63	133.06
Shanxi	218.68	66.81	151.87	44.01	107.86
Nei Monggol	127.19	51.85	75.34	31.90	43.44
Liaoning	626.62	109.98	516.64	182.17	334.47
Jilin	242.17	77.10	165.07	65.25	99.82
Heilongjiang	400.48	111.98	288.50	95.94	192.56
Shanghai	719.38	40.80	678.58	377.24	301.34
Jiangsu	824.96	255.51	569.45	334.40	235.05
Zhejiang	409.57	141.46	268.11	169.97	98.14
Anhui	288.01	127.32	160.69	86.63	74.06
Fujian	162.60	66.79	95.81	59.90	35.91
Jiangxi	195.60	89.40	106.20	51.77	54.43
Shandong	666.28	260.70	405.58	224.53	181.05
Henan	440.56	203.92	236.64	119.94	116.70
Hubei	452.87	140.21	312.66	152.85	159.81
Hunan	362.08	156.22	205.86	94.26	111.60
Guangdong	455.23	149.29	305.94	197.75	108.19
Guangxi	180.47	85.59	94.88	59.43	35.45
Sichuan	593.53	253.56	339.97	163.65	176.32
Guizhou	114.20	51.97	62.23	23.15	39.08
Yunnan	158.64	69.48	89.16	44.93	44.23
Xizang	7.02	5.72	1.30	0.54	0.76
Shaanxi	192.53	63.08	129.45	61.95	67.50
Gansu	124.28	36.17	88.11	20.21	67.90
Qinghai	23.31	9.04	14.27	5.98	8.29
Ningxia	24.96	8.84	16.12	4.66	11.46
Xinjiang	93.99	40.50	53.49	24.46	29.03

Note: This table is based on 1980 constant prices.

National Income

Unit: 100 million yuan

Year	Total national income	Agri-culture	Indus-try	Build-ing indus-try	Trans-porta-tion	Com-merce	Per capita national income (yuan)
1949	358	245	45	1	12	55	66
1950	426	287	60	5	14	60	77
1951	497	316	84	9	18	70	88
1952	589	340	115	21	25	88	104
1953	709	374	156	28	29	122	122
1954	748	388	174	26	32	128	126
1955	788	417	179	30	33	129	129
1956	882	439	212	55	37	139	142
1957	908	425	257	45	39	142	142
1958	1,118	440	401	68	59	150	171
1959	1,222	376	527	76	78	165	183
1960	1,220	332	565	79	84	160	183
1961	996	432	345	25	48	146	151
1962	924	444	303	32	38	107	139
1963	1,000	488	337	40	39	96	147
1964	1,166	549	422	50	44	101	167
1965	1,387	641	505	53	58	130	194
1966	1,586	692	606	58	66	164	216
1967	1,487	703	505	55	52	172	198
1968	1,415	714	449	44	49	159	183
1969	1,617	722	587	60	62	186	203
1970	1,926	795	772	80	74	205	235
1971	2,077	826	873	91	80	207	247
1972	2,136	830	920	88	84	214	248
1973	2,318	911	995	92	89	231	263
1974	2,348	951	986	99	85	227	261
1975	2,503	985	1,113	113	96	196	273
1976	2,427	996	1,050	120	92	169	261
1977	2,644	981	1,195	124	106	238	280
1978	3,010	1,065	1,408	125	118	294	315
1979	3,350	1,318	1,536	130	121	245	346
1980	3,688	1,442	1,688	185	126	247	376
1981	3,940	1,640	1,709	193	130	268	396
1982	4,261	1,868	1,803	209	150	231	423
1983	4,673	2,097	1,960	234	165	217	458

Note: This table is based on current prices.

National Income Indices

Year	Indices		Year	Indices	
	Percentage of 1952	Percentage of previous year		Percentage of 1952	Percentage of previous year
1949	58.9		1966	231.0	117.0
			1967	214.3	92.8
1950	70.1	119.0	1968	200.4	93.5
1951	81.8	116.7	1969	239.1	119.3
1952	100.0	122.2	1970	294.7	123.3
1953	114.0	114.0	1971	315.3	107.0
1954	120.6	105.8	1972	324.5	102.9
1955	128.3	106.4	1973	351.4	108.3
1956	146.4	114.1	1974	355.2	101.1
1957	153.0	104.5	1975	384.7	108.3
1958	186.7	122.0	1976	374.4	97.3
1959	202.1	108.2	1977	403.6	107.8
1960	199.2	98.6	1978	453.2	112.3
1961	140.0	70.3	1979	484.9	107.0
1962	130.9	93.5	1980	515.9	106.4
1963	144.9	110.7	1981	541.2	104.9
1964	168.8	116.5	1982	586.1	108.3
1965	197.5	117.0	1983	639.4	109.1

Average annual growth rate (percent)

First 5-Year Plan	9.9	Fourth 5-Year Plan	5.5
Second 5-Year Plan	-3.1	Fifth 5-Year Plan	6.0
1963-1965	14.7	1953-1983	6.2
Third 5-Year Plan	8.3	1979-1983	7.1

Note: This table is based on comparable prices.

Ratio Between Consumption and Accumulation in National Income

Year	National income disbursement	Consumption	Accumulation	Consumption rate	Accumulation rate
	(100 million yuan)			(percent)	
1952	607	477	130	78.6	21.4
1953	727	559	168	76.9	23.1
1954	765	570	195	74.5	25.5
1955	807	622	185	77.1	22.9
1956	888	671	217	75.6	24.4
1957	935	702	233	75.1	24.9
1958	1,117	738	379	66.1	33.9
1959	1,274	716	558	56.2	43.8
1960	1,264	763	501	60.4	39.6
1961	1,013	819	195	80.8	19.2
1962	948	849	99	89.6	10.4
1963	1,047	864	183	82.5	17.5
1964	1,184	921	263	77.8	22.2
1965	1,347	982	365	72.9	27.1
1966	1,535	1,065	470	69.4	30.6
1967	1,428	1,124	304	78.7	21.3
1968	1,409	1,111	298	78.9	21.1
1969	1,537	1,180	357	76.8	23.2
1970	1,876	1,258	618	67.1	32.9
1971	2,008	1,324	684	65.9	34.1
1972	2,052	1,404	648	68.4	31.6
1973	2,252	1,511	741	67.1	32.9
1974	2,291	1,550	741	67.7	32.3
1975	2,451	1,521	830	66.1	33.9
1976	2,424	1,676	748	69.1	30.9
1977	2,573	1,741	832	67.7	32.3
1978	2,975	1,888	1,087	63.5	36.5
1979	3,356	2,195	1,161	65.4	34.6
1980	3,686	2,521	1,165	68.4	31.6
1981	3,887	2,781	1,106	71.5	28.5
1982	4,256	3,020	1,236	71.0	29.0
1983	4,731	3,311	1,420	70.0	30.0

Note: This table is based on current prices. National income disbursement is not the same as total national income because of the effects of the import-export disparity and errors in calculation.

Composition of Consumption in National Income

Year	Consumption (100 million yuan)			Percentage of consumption	
	Total	People's consumption	Social consumption	People's consumption	Social consumption
1952	477	434	43	91.0	9.0
1953	559	508	51	90.9	9.1
1954	570	527	43	92.5	7.5
1955	622	575	47	92.4	7.6
1956	671	613	58	91.4	8.6
1957	702	649	53	92.4	7.6
1958	738	683	55	92.6	7.4
1959	716	641	75	89.5	10.5
1960	763	683	80	89.5	10.5
1961	818	755	63	92.3	7.7
1962	849	781	68	92.0	8.0
1963	864	793	71	91.8	8.2
1964	921	841	80	91.3	8.7
1965	982	895	87	91.2	8.8
1966	1,065	969	96	91.0	9.0
1967	1,124	1,026	98	91.3	8.7
1968	1,111	1,020	91	91.9	8.1
1969	1,180	1,068	112	90.5	9.5
1970	1,258	1,145	113	91.0	9.0
1971	1,324	1,195	129	90.3	9.7
1972	1,404	1,263	141	89.9	10.1
1973	1,511	1,364	147	90.3	9.7
1974	1,550	1,396	154	90.1	9.9
1975	1,621	1,450	171	89.5	10.5
1976	1,676	1,502	174	89.6	10.4
1977	1,741	1,553	188	89.2	10.8
1978	1,888	1,673	215	88.6	11.4
1979	2,195	1,910	285	87.0	13.0
1980	2,521	2,223	298	88.2	11.8
1981	2,781	2,473	308	88.9	11.1
1982	3,020	2,688	332	89.0	11.0
1983	3,311	2,939	372	88.8	11.2

Note: This table is based on current prices.

Composition of Accumulation in National Income

Year	Accumulation (100 million yuan)	Percentage of accumulation		Percentage of accumulation	
		Productive accumulation	Nonproductive accumulation	Fixed-asset accumulation	Liquid-asset accumulation
1952	130	50.8	49.2	43.8	56.2
1953	168	49.4	50.6	50.6	49.4
1954	195	50.3	49.7	55.9	44.1
1955	185	51.4	48.6	58.9	41.1
1956	217	71.0	29.0	82.5	17.5
1957	233	58.8	41.2	60.1	39.9
1958	379	82.3	17.7	73.9	26.1
1959	558	86.9	13.1	66.7	33.3
1960	501	97.4	2.6	79.6	20.4
1961	195	78.5	21.5	75.9	24.1
1962	99	63.6	36.4	97.0	3.0
1963	183	63.9	36.1	72.7	27.3
1964	263	60.8	39.2	77.2	22.8
1965	365	70.7	29.3	69.3	30.7
1966	470	68.9	31.1	65.3	34.7
1967	304	82.2	17.8	66.4	33.6
1968	298	78.5	21.5	55.7	44.3
1969	357	76.2	23.8	77.9	22.1
1970	618	71.8	28.2	67.8	32.2
1971	684	76.2	23.8	68.4	31.6
1972	648	78.7	21.3	73.9	26.1
1973	741	73.7	26.3	67.7	32.3
1974	741	75.4	24.6	74.6	25.4
1975	830	73.4	26.6	78.1	21.9
1976	748	79.3	20.7	83.3	16.7
1977	832	70.9	29.1	77.5	22.5
1978	1,087	71.8	28.2	72.0	28.0
1979	1,161	64.1	35.9	72.2	27.8
1980	1,165	54.5	45.5	76.7	23.3
1981	1,106	46.8	53.2	70.3	29.7
1982	1,236	46.1	53.9	78.4	21.6
1983	1,420	52.3	47.7	78.9	21.1

Note: This table is based on current prices.

Major Proportionate Relationships in National Economy (based on current prices)

Unit: Percent

	1952	1957	1978	1983
I. Proportions of agriculture, light industry, and heavy industry in GVIAO				
Agriculture	56.9	43.3	27.8	33.9
Light industry	27.8	31.2	31.1	32.1
Heavy industry	15.3	25.5	41.1	34.0
II. Proportions of light and heavy industries in GVIO				
Light industry	64.5	55.0	43.1	48.5
Heavy industry	35.5	45.0	56.9	51.5
III. Proportions of agriculture, forestry, animal husbandry, sideline production, and fishery in GVAO				
Agriculture (crop farming)	83.1	80.6	67.8	62.2
Forestry	0.7	1.7	3.0	4.1
Animal husbandry	11.5	12.9	13.2	15.5
Sideline production	4.4	4.3	14.6	16.2
of which: industry run by rural units			11.7	11.8
Fishery	0.3	0.5	1.4	2.0
IV. Ratio between accumulation and consumption in national income disbursement				
Accumulation	21.4	24.9	36.5	30.0
Consumption	78.6	75.1	63.5	70.0
V. Ratio between productive and nonproductive capital construction investment				
Productive investment	66.9	73.3	79.1	58.3
Nonproductive investment	33.1	26.7	20.9	41.7
of which: housing investment	10.3	9.3	7.8	21.1
VI. Proportions of agriculture, light industry, and heavy industry in capital construction investment				
Agriculture	13.4	8.3	10.6	6.0
Light industry	9.3	7.7	5.8	6.5
Heavy industry	29.5	42.8	48.7	41.0
VII. Proportions of energy industry and transportation, posts and telecommunications				
Energy industry	10.0	15.4	22.7	21.3
Transportation, posts and telecommunications	17.5	14.4	13.6	13.1
VIII. Proportion of national revenue in national income	29.5	34.2	37.2	25.9
IX. Proportion of capital construction allocation in national expenditure	26.5	40.7	40.7	29.6
X. Proportion of Expenses for undertakings in culture, education, public health and science in national expenditure	7.7	9.1	10.1	17.3

Note: Item III in 1952 and 1957 is based on constant prices for 1957; in 1978, based on constant prices for 1970; in 1983, based on current prices. Items VI and VII are based on classification of national economic sectors. Item VII is based on the national revenue which does not include foreign loans.

Major Economic Indices in Autonomous National Minority Regions

Item	Unit	1952	1957	1965	1978	1983
I. GVIAO	100 million yuan	57.9	92.0	157.2	367.7	620.7
GVAO	" " "	46.5	62.5	88.4	155.6	303.9
GVIO	" " "	11.4	29.5	68.8	212.1	316.8
II. Agriculture						
Arable land area	10,000 hectares	1,348	1,535	1,672	1,640	1,686
Irrigated area	" "	363	540	532	601	689
Grain output	10,000 tons	1,582	1,883	2,217	3,124	4,027
Cotton output	" "	3.14	5.98	8.87	5.97	16.83
Yearend number of large animals	10,000 head	2,439	2,926	3,373	3,807	4,340
Yearend number of sheep	" "	4,030	5,399	8,595	9,580	9,673
Yearend number of pigs	" "	1,137	1,589	2,151	3,260	3,971
III. Industry						
Steel output	10,000 tons			39.4	128.5	173.4
Pig iron output	" "	0.9	4.5	55.8	168.2	195.7
Coal output	" "	178	545	2,029	6,081	6,521
Crude oil output	" "	5.2	9.5	97.3	577.7	672.4
Power generation	100 million kwh	0.8	4.3	33.4	174.0	239.3
Timber output	10,000 m^3	233	645	858	1,212	1,565
Cloth output	100 million m	0.35	0.81	1.82	3.73	5.30
IV. Transportation, posts and telecommunications						
Railway operational mileage	km	3,787	5,486		9,018	12,088
Highway mileage	10,000 km	2.59	6.27	12.55	20.80	23.00
Total length of postal routes	" "	13.13	39.72	36.37	94.75	88.11
V. Commerce						
Total volume of retail sales	100 million yuan	17.9	39.7	64.4	150.8	277.5
Total volume of domestic procurement	" " "	4.8	24.0	42.9	103.3	185.5
VI. Public health						
Public health establishments	each	1,176	13,819	25,306	23,934	28,800
Beds in hospitals and sanitoriums	each	5,711	26,470	93,229	224,409	273,033
Medical personnel	10,000 persons	1.79	6.56	15.69	27.94	38.77

Note: GVIAO for 1952 and 1957 is based on constant prices for 1952; in 1965, based on constant prices for 1957; in 1978, based on constant prices for 1970; and in 1983, based on constant prices for 1980.

Total Capital Construction Investment in Autonomous National Minority Regions

Unit: 100 million yuan

Period	Total capital construction investment	Period	Total capital construction investment
1950-1983 total	839.41	1976	35.14
Recovery period	5.60	1977	38.49
First 5-Year Plan	40.78	1978	53.04
Second 5-Year Plan	119.93	1979	54.10
1963-1965	45.06	1980	56.81
Third 5-Year Plan	90.05	Sixth 5-Year Plan	
Fourth 5-Year Plan	152.12	1981	37.89
Fifth 5-Year Plan	237.58	1982	48.62
		1983	61.78

Educational and Cultural Undertakings for All National Minorities

Item (Unit)	1952	1957	1965	1978	1982	1983
Regular students of national minorities						
Institutes of higher learning (10,000 persons)	0.29	1.61	2.19	3.60	5.34	5.96
Secondary schools (10,000 persons)	9.20	31.43	39.07	252.62	187.30	191.18
Primary schools (10,000 persons)	147.42	319.43	435.00	768.56	823.86	812.90
National minority teachers						
Institutes of higher learning (10,000 persons)	623*	1,941	3,311	5,876	9,150	10,791
Secondary schools (10,000 persons)	0.27	0.91	1.61	11.69	11.26	11.48
Primary schools (10,000 persons)	5.98*	8.11	13.32	31.02	34.32	34.49
Books published in minority languages (10,000 volumes)	661.2	1,461.6	2,480	3,908	3,330	3,358
Magazines in minority languages (10,000 volumes)	168.6	243.8	268	313	631	616
Newspapers in minority languages (10,000 copies)	2,933.3	2,433.5	3,955	7,072	9,666	10,371

Note: This table is based on national statistics.
*Indicates 1953 figure.

Chapter 2. Population

China is the most populous country in the world. At the end of 1983, there was a total population of 1,024,950,000 (including active servicemen)--one-fourth of the world's population--in the 29 provinces, autonomous regions, and municipalities directly under the central government on the continent. In old China, despite its huge population, the people were poor, the mortality rate was high, and the compositions of urban and rural population and of cultural standards were all backward. Since liberation, particularly in the past several years, profound changes have occurred in the reproduction of population as well as the composition of population.

Lower Population Growth Rate, Initial Harmony Between Population Reproduction and Material Reproduction

Soon after the founding of the People's Republic, China's total population was about 540 million. Later, the national population increased fairly rapidly and in the 1950's, its natural growth rate was generally 20 to 24 per thousand. In the 1960's, it was generally 25 to 30 per thousand. The blind population increase during this period had its pressure on economic development. China's economy was not adequately developed and the national income was fairly low. In the 1950's and 1960's, the average increase in national income was only 7 to 8 billion yuan a year, and about one-quarter of it was spent on consumption by the new population and on nonproductive accumulation. This affected the development of production and construction and the improvement of living conditions. Population control began after 1972, and the natural growth rate gradually dropped to about 15 per thousand. In September 1980, the party and government further strengthened the work of family planning and treated it as a basic national policy. In 1983, the natural population growth rate dropped to 11.54 per thousand, and the pressure of population on economic development was alleviated. Now, "late marriage, late childbearing, reduced births, and better births" have become the order of the day, and the old feudal ideas and customs are changing gradually.

Basic Changes in Population Reproduction Patterns

Both the birth rate and the mortality rate in old China were very high. The population had a reproduction pattern of low natural growth rate from the high rates of birth and mortality. After liberation, China devoted more than 30 years to the task of lowering the birth and mortality rates and has initially formed a population reproduction pattern of low natural growth rate from low rates of birth and mortality. This change in pattern, which took foreign countries nearly 100 years or even hundreds of years, was thus accomplished in China.

Old China's birth rate was about 30 to 40 and sometimes as high as 50 to 60 per thousand. This high rate persisted until several years after liberation. In the late 1950's and 1960's, the birth rate in our country underwent a fairly big change. This change generally went through three stages: From 1958 to 1951, the birth rate dropped. This drop was particularly noticeable during the difficult period of natural disasters. In 1960, the rate was down to 20.9 per thousand and the rate of natural growth had a minus sign. From 1962 to 1968, it returned to normal, and was basically above 35 per thousand every year, forming the peak rate. In 1963, it was 43.37 per thousand, the highest year since the founding of the People's Republic. This peak was in the nature of a compensation for the reduced population during the difficult period, but it was also attributed to the guiding thought which one-sidedly strove for numerical superiority. After 1968, the birth rate dropped again. In the 1970's, an all-out effort was made in family planning and strong measures were taken to maintain a sustained reduction. It was down to 33.43 per thousand in 1970, 30.65 per thousand in 1971, below 20 per thousand in 1976, and 18.62 per thousand in 1983.

The mortality rate was very high in old China--more than 28 per thousand in the 1930's. After liberation, because of better medical and public health facilities, infant mortality was greatly reduced, and the mortality rate dropped quickly because of effective prevention against serious epidemic diseases. In 1965, it dropped below 10 per thousand and remained stable at about 7 per thousand after 1970. This is very much below the level of not only the developing countries, but also many developed countries.

Based on data from the Third National Census, the average life expectancy in China in 1981 was 67.9--66.4 for male and 69.4 for female--nearly doubling that of 35 in old China. From the early post-liberation period to the 1970's, the average life expectancy increased by more than 1 year per year. This clearly shows the improvement of people's living conditions and of their health.

Profound Changes in Population Composition

High ratio of urban population. In 1949, the urban population was 10.6 percent and the rural population was 89.4 percent of the total national population. The urban population grew fairly rapidly in the 1950's, and remained basically stable at about 17 percent throughout the 1960's and 1970's. After the 3d Plenum of the 11th CPC Central Committee and the implementation of various party policies, the ratio of urban population rose to a certain extent and reached 23.5 percent at the end of 1983. The number of towns with a population of more than 1 million was increased from 9 in 1952 to 20 in 1983.

Increase in the ratio of minority population. Minority people were victims of discrimination and persecution in old China and some nationalities were on the verge of extinction. After liberation, the party's nationality policies enabled the minority nationalities to develop and prosper. In 1953, there were more than 35 million minority people, 6.1 percent of the total population. This number was increased to 66.36 million, 6.6 percent of the total population in 1982. The average rate of increase was 21.6 per thousand in each of the past 30 and more years, a faster increase than in the Han nationality. The number of minority nationalities with a population of more than 1 million was increased from 10 in 1953 to 15 in 1982.

Initial changes in the age composition of population. In the 1950's and 1960's, China's population belonged to a typical category with a high growth rate. The proportion of young people rose and the average age dropped. In 1953, the total population of the 0-14 age group accounted for 36.3 percent of the total population. This proportion rose to 40.7 percent in 1964. The huge population increase not only exerted pressure on consumption and accumulation, but also formed the habit of rapid population increase. After the vigorous campaign in family planning, the increase was reduced and in 1982, the number of the 0-14 year group accounted for 33.6 percent of the total population, lower than shortly after the founding of the People's Republic. From the age pyramid based on the data of the Third National Census, we can clearly see that it begins to taper off at the age of 11. This shows the beginning of a change in the age composition of China's population--a change from the type of increasing length to that of tapering, and the beginning of a change from a young population to an adult population. A foundation has been laid for the planned growth of our population.

Higher Educational Level. The broad masses of laboring people in old China were deprived of the opportunity for education, and their cultural standards were very low. According to available data, the number of illiterates and semiliterates in old China acounted for more than 60 percent of the total population, and less than 1 percent were able to study in university. After liberation, the party and government developed education vigorously in order to wipe out illiteracy. The proportion of illiterates and semiliterates dropped to 38.1 percent in 1964 and further down to 23.5 percent in 1982. From 1964 to 1982, the average number of people with university education increased from 4.2 to 6 per thousand; those with senior secondary school education, from 13.2 to 66 per thousand; those with junior secondary school education, from 46.8 to 178 per thousand; and those with primary school education, from 283 to 354 per thousand. This is undoubtedly a great improvement over the cultural backwardness in old China. However, this is not enough for the requirements of the four modernizations and there is still a large gap between China and the developed countries in this respect.

Population Totals (Yearend number)

Unit: 10,000 persons

Year	Total population	Classified by sex		Classified into urban and rural areas	
		Male	Female	Urban population	Rural population
1949	54,167	28,145	26,022	5,765	48,402
1950	55,196	28,669	26,527	6,169	49,027
1951	56,300	29,231	27,069	6,632	49,668
1952	57,482	29,833	27,649	7,163	50,319
1953	58,796	30,468	28,328	7,826	50,970
1954	60,266	31,242	29,024	8,249	52,017
1955	61,465	31,809	29,656	8,285	53,180
1956	62,828	32,536	30,292	9,185	53,643
1957	64,653	33,469	31,184	9,949	54,704
1958	65,994	34,195	31,799	10,721	55,273
1959	67,207	34,890	32,317	12,371	54,836
1960	66,207	34,283	31,924	13,073	53,134
1961	65,859	33,880	31,979	12,707	53,152
1962	67,295	34,517	32,778	11,659	55,636
1963	69,172	35,533	33,639	11,646	57,526
1964	70,499	36,142	34,357	12,950	57,549
1965	72,538	37,128	35,410	13,045	59,493
1966	74,542	38,189	36,353	13,313	61,229
1967	76,368	39,115	37,253	13,548	62,820
1968	78,534	40,226	38,308	13,838	64,696
1969	80,671	41,289	39,382	14,117	66,554
1970	82,992	42,686	40,306	14,424	68,568
1971	85,229	43,819	41,410	14,711	70,518
1972	87,177	44,813	42,364	14,935	72,242
1973	89,211	45,876	43,335	15,345	73,866
1974	90,859	46,727	44,132	15,595	75,264
1975	92,420	47,564	44,856	16,030	76,390
1976	93,717	48,257	45,460	16,341	77,376
1977	94,974	48,908	46,066	16,669	78,305
1978	96,259	49,567	46,692	17,245	79,014
1979	97,542	50,192	47,350	18,495	79,047
1980	98,705	50,785	47,920	19,140	79,565
1981	100,072	51,519	48,553	20,171	79,901
1982	101,541	52,310	49,231	21,154	80,387
1983	102,495	52,865	49,630	24,126	78,369

Note: Urban population refers to the entire population in the administrative area, while rural population refers to county population but does not include town population.

Composition of Population

Unit: Percent

Year	Classified by sex		Classified into urban and rural areas	
	Male	Female	Urban population	Rural population
1949	51.96	48.04	10.6	89.4
1950	51.94	48.06	11.2	88.8
1951	51.92	48.08	11.8	88.2
1952	51.90	48.10	12.5	87.5
1953	51.82	48.18	13.3	86.7
1954	51.84	48.16	13.7	86.3
1955	51.75	48.25	13.5	86.5
1956	51.79	48.21	14.6	85.4
1957	51.77	48.23	15.4	84.6
1958	51.82	48.18	16.2	83.8
1959	51.91	48.09	18.4	81.6
1960	51.78	48.22	19.7	80.3
1961	51.44	48.56	19.3	80.7
1962	51.29	48.71	17.3	82.7
1963	51.37	48.63	16.8	83.2
1964	51.27	48.73	18.4	81.6
1965	51.18	48.82	18.0	82.0
1966	51.23	48.77	17.9	82.1
1967	51.22	48.78	17.7	82.3
1968	51.22	48.78	17.6	82.4
1969	51.18	48.82	17.5	82.5
1970	51.43	48.57	17.4	82.6
1971	51.41	48.59	17.3	82.7
1972	51.40	48.60	17.1	82.9
1973	51.42	48.58	17.2	82.8
1974	51.43	48.57	17.2	82.8
1975	51.47	48.53	17.3	82.7
1976	51.49	48.51	17.4	82.6
1977	51.50	48.50	17.6	82.4
1978	51.49	48.51	17.9	82.1
1979	51.46	48.54	19.0	81.0
1980	51.45	48.55	19.4	80.6
1981	51.48	48.52	20.2	79.8
1982	51.52	48.48	20.8	79.2
1983	51.58	48.42	23.5	76.5

Rates of Birth, Mortality, and Natural Growth

Unit: Per 1,000

Year	Nationwide			City			County		
	Birth rate	Mortality rate	Natural growth rate	Birth rate	Mortality rate	Natural growth rate	Birth rate	Mortality rate	Natural growth rate
1949	36.00	20.00	16.00						
1952	37.00	17.00	20.00						
1957	34.03	10.80	23.23	44.48	8.47	36.01	32.81	11.07	21.74
1962	37.01	10.02	26.99	35.46	8.28	27.18	37.27	10.32	26.95
1965	37.88	9.50	28.38	26.59	5.69	20.90	39.53	10.06	29.47
1970	33.43	7.60	25.83						
1975	23.01	7.32	15.69	14.71	5.39	9.32	24.17	7.59	16.58
1976	19.91	7.25	12.66	13.12	6.60	6.52	20.85	7.35	13.50
1977	18.93	6.87	12.06	13.38	5.51	7.87	19.70	7.06	12.64
1978	18.25	6.25	12.00	13.56	5.12	8.44	18.91	6.42	12.49
1979	17.82	6.21	11.61	13.67	5.07	8.60	18.43	6.39	12.04
1980	18.21	6.34	11.87	14.17	5.48	8.69	18.82	6.47	12.35
1981	20.91	6.36	14.55	16.45	5.14	11.31	21.55	6.53	15.02
1982	21.09	6.60	14.49	18.24	5.28	12.96	21.97	7.00	14.97
1983	18.62	7.08	11.54	15.99	5.92	10.07	19.89	7.69	12.20

Population of Various Regions

Unit: 10,000 persons

Region	Population	Classified by sex		Classified into urban and rural areas		Population density
		Male	Female	Urban population	Rural population	(person per square km)
National totals	102.495	52.865	49.630	24.126	78.369	107
Beijing	934	475	459	617	317	556
Tianjin	789	401	388	542	247	697
Hebei	5.420	2.777	2.643	844	4.576	289
Shanxi	2,572	1.346	1.226	712	1.860	165
Nei Monggol	1,955	1,022	933	570	1.385	17
Liaoning	3.629	1,853	1,776	1,546	2.083	249
Jilin	2,270	1,163	1,107	878	1,392	121
Heilongjiang	3,306	1,692	1,614	1,418	1,888	70
Shanghai	1,194	597	597	711	483	1,926
Jiangsu	6,135	3,122	3,013	1,229	4,906	598
Zhejiang	3.963	2,056	1,907	907	3,056	389
Anhui	5,056	2.626	2,430	837	4,219	363
Fujian	2.640	1,362	1,278	598	2,042	218
Jiangxi	3.384	1.747	1,637	709	2.675	203
Shandong	7.564	3,847	3.717	2,215	5,349	494
Henan	7,591	3,881	3.710	1.175	6.416	455
Hubei	4.835	2.485	2.350	1.395	3,440	258
Hunan	5.509	2,864	2.645	875	4.634	262
Guangdong	6,075	3.118	2,957	1,300	4,775	287
Guangxi	3,733	1.930	1,803	456	3,277	162
Sichuan	10.076	5.199	4,877	1,595	8,481	178
Guizhou	2.901	1,485	1.416	551	2.350	165
Yunnan	3,319	1.677	1,642	447	2.872	84
Xizang	193	94	99	19	174	1.6
Shaanxi	2.931	1.525	1,406	577	2.354	143
Gansu	1.988	1,028	960	357	1,631	44
Qinghai	393	202	191	77	316	5.4
Ningxia	398	205	193	109	289	60
Xinjiang	1,318	673	645	436	882	8.2

Note: National population includes active servicemen.

Population Classified by Nationalities in Third National Census

Nationalities	Total as of 1 July 1982 (10,000 persons)	Percentage of population	Nationalities	Total as of 1 July 1982 (10,000 persons)	Percentage of population
Total number in 29 provinces, municipalities and autonomous regions	100,394	100.0	Kirghiz	11.40	0.01
			Tu	15.94	0.02
Han	93,670.38	93.30	Daur	9.40	0.01
Monggol	341.17	0.34	Mulam	9.04	0.01
Hui	721.94	0.72	Qiang	10.28	0.01
Zang	387.01	0.39	Blang	5.85	0.01
Uygur	595.71	0.59	Salar	6.91	0.01
Miao	503.09	0.50	Maonan	3.81	...
Yi	545.34	0.54	Gelo	5.38	0.01
Zhuang	1,337.82	1.33	Xibe	8.36	0.01
Buyi	212.05	0.21	Achang	2.04	...
Korean	176.39	0.18	Pumi	2.42	...
Man	429.92	0.43	Tajik	2.65	...
Dong	142.51	0.14	Nu	2.32	...
Yao	140.27	0.14	Ozbeks	1.25	...
Bai	113.11	0.11	Russian	0.29	...
Tujia	283.27	0.28	Ewenki	1.93	...
Hani	105.88	0.11	Benglong	1.23	...
Kazakh	90.76	0.09	Bonan	0.90	...
Tai	83.98	0.08	Yugur	1.06	...
Li	81.76	0.08	Jing	1.20	...
Lisu	48.10	0.05	Tatar	0.41	...
Wa	29.86	0.03	Drung	0.47	...
She	36.88	0.04	Orogen	0.41	...
Gaoshan	0.15	...	Hezhen	0.15	...
Lahu	30.42	0.03	Moinba	0.62	...
Shui	28.65	0.03	Lhoba	0.21	...
Dongxiang	27.94	0.03	Jinuo	1.20	...
Naxi	24.52	0.02	Other undetermined nationalities	87.92	0.09
Jingpo	9.30	0.01	Foreigners adopting Chinese nationality	0.48	...

Chapter 3. Geographic Conditions and Natural Resources

China has a vast territory of about 9.6 million square km or 6.5 percent of the earth's land surface. It is located in the eastern part of Asia and bordered by Korea in the northeast, the Soviet Union in the northeast and northwest, the People's Republic of Mongolia in the north, Afghanistan and Pakistan in the west, India, Nepal, Bhutan, and Sikkim in the southwest, and Burma, Laos, and Vietnam in the south. In the east and southeast, it faces Japan, the Philippines, Malaysia, and Indonesia across the seas.

China's territory measures about 5,500 km from the south to the north and about 5,200 km from the east to the west. The total land boundary is about 22,800 km long. The main characteristic of its topography is that the elevation is high in the west and low in the east. There are rolling high mountains as well as basins of different sizes; and undulating plateaus and hills as well as fertile plains. Of the total area of the country, mountains occupy 33 percent; plateaus, 25 percent or more; basins, about 19 percent; plains, 12 percent; and hills, 10 percent. Mountain ranges run across the country from the north to the south and from the west to the east. The major ones are the Altaishan, Tianshan, Kunlunshan, Gangdishishan, Himalayashan, Yinshan, Qunling, Changbaishan, the Greater Hingganling, and Hengduanshan.

Because of its location in the southeastern part of the Asian-European continent and on the western seaboard of the Pacific with monsoon winds and clearly contrasted seasonal climates, and in view of its vast territory and complex topography, China has many different types of climates. The total annual rainfall is 6 trillion cubic meters, averaging 630 millimeters each year. In terms of temperature, it is divided into six temperature zones from the south to the north, namely, the equatorial zone, tropical zone, subtropical zone, warm-temperate zone, temperate zone, and frigid-temperate zone. In terms of moisture, the area from the east to the northwest hinterland is divided into four regions, namely, the humid, semihumid, semiarid, and arid regions.

China has spacious sea surfaces and many islands. The seas contiguous to the continent are Bohai, Huanghai, Donghai, and Nanhai. Bohai is our inland sea partly surrounded by the Shandong and Liaodong peninsulas. The total coastline is more than 18,000 km. If the coastlines of the islands are included, it will be more than 32,000 km, one of the longest in the world. China has more than 5,000 large and small islands with a total area of about 80,000 square km. The largest one is Taiwan Island with an area of about 36,000 square km, and the second largest is Hainan Island with an area of about 34,000 square km.

China has abundant natural resources. The fertile plains produce such grain crops as rice, wheat, millet, broomcorn millet, gaoliang, soybean, and such cash crops as cotton, hemp, edible oil, and sugar. The south produces a great deal of paddy rice, and the northern and western parts produce mainly wheat, barley, corn, and potatoes. In the northeastern regions, gaoliang is planted in addition to wheat. The areas suitable for cotton planting are generally grouped under two major areas, the southern area and the northern area. The northern cotton area includes the North China plain, the drainage basins of the Fen He and the Wei He, the valleys south and north of Tianshan, and the Liaohe plain. The southern cotton area includes the plain of the middle and lower reaches of the Chang Jiang, the Sichuan basin, and Zhejiang. The basin of the Tai Hu, the Zhu Jiang delta, and the Sichuan basin are the three famous areas for mulberry trees, while Shandong Peninsula, and Liaodong Peninsula are famous for tussah silk production.

The spacious pastures are good for the tending of cows, sheep, horses, and camels. Of the 319.08 million hectares of pastures, 224.34 million hectares can be utilized for this purpose. From the northeast all the way to the southwest, including the western part of Heilongjiang, Nei Monggol, Ningxia, Xinjiang, Gansu, Qinghai, and Xizang, there are pastures stretching more than 3,000 km to form the important herding areas of China. After liberation, many herdsmen have moved into settlements instead of living nomadic lives at nature's mercy. Many areas have planted fodders, built fodder bases and developed herding machinery in a planned way. The formerly desolate pastures are now growing prosperous.

Hydropower resources are also abundant. There are more than 50,000 rivers, each with a drainage basin of more than 100 square km, totaling 227,000 km in length with an annual runoff volume of about 2,614,400,000,000 cubic meters. The major drainage systems are the Zhu Jiang system, the Chang Jiang system, the Huai He system, the Huang He system, the Songhua Jiang system, and the Xizang system. Apart from the rivers, there are also more than 2,800 natural lakes (each with an area of more than 1 square km). The water resources in the country amount to 2.63 trillion cubic meters, ranking fifth in the world, and the potential source of hydropower amounts to 676 million kw, ranking first in the world. The total area of fresh-water surfaces was 16.64 million hectares, producing more than 700 varieties of fresh-water fish. There are 40 to 50 varieties of economic fish, four of which, namely, black carp, grass carp, silver carp, and big head, are special Chinese products. Salmon of the Wusuli Jiang and the Heilong Jiang, reeves shad of Chang Jiang and the Xi Jiang, and the river eel in the middle and lower reaches of the Chang Jiang are the highly prized fishes in our country. The total area of fishing grounds in the sea is 818 square nautical miles. The Zhoushan Islands, the Miao Islands between Shandong and Liaodong peninsulas, the Changshan Islands, the coasts of Taiwan, Fujian, Guangdong, and Guangxi, and the sea areas near the Nanhai Islands are the locations of all China's famous fishing grounds. The 600,000 to 700,000 hectares of beaches along the coasts can be used for the breeding of oysters, kelp, laver, and other aquatic plants. There are about 1,500 types of fish, mostly the warm-water types including nearly 200 major varieties of economic fish. Yellow croakers, small yellow croakers, hairtails, and cuttlefish are called the four major aquatic products of China. In old China, the rich hydropower resources were not properly utilized, with flood and drought disasters being very serious. According to incomplete statistics of the Huang He drainage basin, there have been more than 1,500 floods and 1,073 drought spells in the past 3,000 years, and each of them played havoc with hundreds of thousands or millions of people suffering from or dying of hunger. After liberation, many rivers, including the Huang He, the Huai He, the Hai He, the Zhu Jiang, the Liao He, the Chang Jiang, and the Songhua Jiang were harnessed to varying degrees, and disasters from drought and flood have been initially brought under control.

In China's vast area are numerous species of plants and wildlife. The plants include more than 32,000 species of higher forms, more than 2,000 species of edible plants, and more than 2,800 species of trees. China is among those countries with the most abundant plant resources in the world. Metasequoia glytostroboides and Cathaya argyronhylla are among the rare and precious plants among China's special products. The forest area in the country amounts to 115.25 million hectares, providing 12 percent forest cover, and the volume of timber reaches 10.26 billion cubic meters. China has about 1,150 species of birds, more than 400 species of animals, and more than 420 species of amphibious reptiles.

China also has rich reserves of mineral resources, and more than 140 types have been discovered. It is one of the few countries in the world with a fairly complete assortment of minerals. Most of the 2,000 or more counties and municipalities in the country have their own coal deposits of varying size. Deposits of 727.6 billion tons of coal have already been verified and this is sufficient for extraction in more than 1,000 years. Iron mines are widely distributed in our country. These mines are spread out along both sides of Yinshan Range and from Shanxi Plateau to Liaodong Peninsula and Shandong Peninsula in the north; from the Yunnan-Guizhou Plateau and the Sichuan basin to Jinggangshan in the south; and along the south and north sides of Tianshan. The amount of iron ore deposits already verified now totals 46.8 billion tons. Many provinces and regions in China have rich deposits of nonferrous metal resources. The deposits of tungsten, zinc, lithium, rare earth, vanadium, molybdenum, mercury, and tin are in the top rank of the world. The Xikuangshan [tin-mine mountain] in the central part of Hunan is the largest antimony producing mine in the world. Gejiu City of Hunnan has been called the "tin capital." There are also many rare metals in China, such as thorium, uranium, beryllium, tantalum, niobium, and germanium, all of which are important raw materials for economic construction and national defense. Old China was known as an "oil-poor" country. After liberation, huge deposits of petroleum have been verified, and large oilfields, such as Daqing, Shengli, Dagang, and Huabei were built one after another. In the past several years, prospecting for offshore oil resources has been carried out and the future is promising.

In short, the vast expanse of national territory and abundant resources have nourished more than 1 billion Chinese people. These are the important natural foundation for the Chinese people's prosperity. Of course, in a country with such a huge population, the per capita farmland cannot be much. Furthermore, the distribution of water resources is uneven among different areas, the forest area and forest cover are small, and the ecological environments of some regions are poor. Although there are rich water resources, not many of them can be exploited and utilized quickly. Climatic conditions are complex and diversified, while flood and drought disasters are particularly frequent.

All of these have definite unfavorable effects on production, construction, and living conditions. However, as long as we fully understand and make good use of objective natural laws, give play to our strengths, and avoid our weaknesses, and strive to transform nature, we can certainly create material wealth in ever-increasing quantities.

Natural Resources

Item	1983
I. Land	
Territorial area	9.6 million km^2 (about 14.4 billion mu)
1. Mountains	33 percent
2. Plateaus	26 percent
3. Basins	19 percent
4. Plains	12 percent
5. Hills	10 percent
II. Climate	
Average annual rainfall	630 mm
Total rainfall	6 trillion m^3
Proportions of different climates in territorial area	
1. Humid region (aridity less than 1.0)	32 percent
2. Semihumid region (aridity 1.0-1.6)	15 percent
3. Semiarid region (aridity 1.5-2.0)	22 percent
4. Arid region (aridity more than 2.0)	31 percent
III. Forest	
Forest area	11.525 million hectares (1.73 billion mu)
Forest cover	12 percent
Timber resources	10.26 billion m^3
IV. Grassland	
Grassland area	319.08 million hectares (about 4.79 billion mu)
of which: area that can be utilized	224.34 million hectares (about 3.37 billion mu)

[continued]

Natural Resources [continued]

Item	1983
V. Hydrology, water resources	
1. Annual runoff volume of rivers	2,614,400,000,000 m^3
of which: Zhu Jiang drainage basin	307 billion m^3
Chang Jiang drainage basin	979.3 " "
Huai He drainage basin	53 " "
Huang He drainage basin	56 " "
Hai He drainage basin	28.4 " "
Songhua Jiang drainage basin	75.9 " "
Zhejiang, Fujian	200.1 " "
Xizang	359 " "
2. Total area of fresh-water surface	16.64 million hectares (about 250 million mu)
of which: area available for breeding	5.03 million hectares (about 75 million mu)
of which: area already used for breeding	3.05 million hectares (about 46 million mu)
3. Potential water resources	676 million kw
of which: available for exploitation	379 million kw
4. Area of seafishing grounds	818,000 square nautical miles (4.2 billion mu)
5. Sea area available for breeding	492,000 hectares (7.38 million mu)
of which: area already used for breeding	163,000 hectares (2.44 million mu)
6. Total continental coastline	More than 18,000 km
VI. Mineral resources	
Constant coal deposit	727.6 billion tons
Constant iron ore deposit	46.76 billion tons

Notes:

1. Except for territorial area and forest resources, this table does not include Taiwan Province.
2. In this table, most of the figures for grassland, water surface, and water resources are based on surveys conducted several years ago and are subject to further surveys and verifications.

Chapter 4. Gratifying Returns on Fixed-Asset Investment

Since the founding of the People's Republic, China has carried out large-scale economic construction and continued to increase its fixed-asset investments. From 1950 to 1983, investments in the fixed assets of state-owned units totaled 1,163,300,000,000 yuan, including 897 billion yuan in capital construction and 266.3 billion yuan in renovation, transformation, and other measures. In the past 30 and more years, the investments in capital construction increased the value of fixed assets by 644 billion yuan, which is equivalent to 27-fold the original value of all fixed assets of the state-owned enterprises in the country in the early post-liberation period. More than 3,800 large and medium-size and hundreds of thousands of small projects were completed, and the total area of housing construction of various types amounted to 2.29 billion square meters. The extreme backwardness of old China's economy has changed, the economy and national defense have been strengthened, both the economic structure and the distribution of productive forces have been improved, and the technical standards of various national economic sectors have been raised. Our independent and fairly complete socialist industrial structure has been basically formed, while in agriculture, our power to resist natural disasters has been increased. There have also been great developments in education, science, culture, housing, and the urban public utilities.

Providing Huge Productive Capacity for National Economic Development

In industrial construction, the productive capacity acquired in the past 30 and more years greatly exceeded that acquired by old China in half a century. From 1953 to 1983, the newly added production capacity accounted for by capital construction was as follows: power generation, 68.63 million kw, 35-fold the original capacity in the early post-liberation period; coal, 491.53 million tons, 5-fold that of the early post-liberation period; petroleum, 144.45 million tons, only some 600,000 tons in the early post-liberation period; steel, 34.98 million tons, 17-fold that of the early post-liberation period; cement, 61.75 million tons, 17-fold that of the early post-liberation period; and cotton spindles, 12.94 million, 2.6-fold that of the early post-liberation period. At the same time, the productive capacity of many new industrial branches was built up from scratch. The output of some of these branches were as follows: chemical fertilizers, 13.58 million tons; chemical fiber, 600,000 tons; plastic, 870,000 tons; synthetic rubber, 165,000 tons; synthetic fatty acid, 75,000 tons; kinescopes, 3.95 million; motor vehicles, 150,000; and tractors, 126,000. The productive capacity of some newly emerging industries, such as the electronic, space, and nuclear industries, has also been greatly developed to form, step-by-step, a fairly comprehensive industrial structure.

In water conservation for agriculture and forestry, by the end of 1983, 87,000 large, small, and medium-size reservoirs with a total capacity of 420.8 billion cubic meters had been built or repaired. In addition, new dikes of a total length of 170,000 km, and more than 6,800 irrigated areas of more than 10,000 mu each had been built.

In communications, transportation, posts and telecommunications, from 1953 to 1983, 106 new railways with a total length of 24,549 km were built in the country. Among them were the Tianshui-Lanzhou railway, Baotou-Lanzhou railway, Lanzhou-Xinjiang railway, Lanzhou-Qinghai railway, and the northern section of Qinghai-Xizang railway which runs across the northwest region; the Baoji-Chengdu railway, Chengdu-Kunming railway, Guiyang-Kunming railway, Hunan-Guizhou railway, Sichuan-Guizhou railway, Xiangyang-Chongqing railway, and Guizhou-Guilin railway which join together various parts of the southwest region; the Jiaozuo-Zhicheng railway and Zhicheng-Liuzhou railway which run across the central-southern region; and the Yingtan-Xiamen railway and Nanping-Fuzhou railway in Fujian. At the same time, technical transformation was carried out on some old railways, while 6,396 km of double tracks and 2,332 km of electrified line were laid. The trunklines of Beijing-Guangzhou, Beijing-Shanghai, Shanghai-Ningbo, and Longhai (west section) have been basically double-tracked. Over the 10,000-li Chang Jiang, six bridges, including those at Wuhan, Nanjing, Yidu, and Chongqing, have been built, thus "turning a deep chasm into a thoroughfare." In the past 30 and more years, 198 berths were built at the harbors along the coast, and the freight-handling capacity was increased by 181.85 million tons, 13-fold the original capacity in the early post-liberation period. By the end of 1983, a total of 248,000 km of highways had been built. Among those which join the minority areas are the Kang-Zang, Qing-Zang, Qing-Xin, and Tianshan highways. A total of 27,000 km of long-distance communications cables and 470,000 km of long-distance open wires have been put up. Microwave circuits with a range of 7,000 km, the China-Japan submarine cable, and the Tianjin-Shanghai-Hangzhou and the Beijing-Wuhan-Guangzhou coaxial cables have been either completed or partly set up and handed over to be used.

Improved Distribution of Productive Forces

In old China, industry was concentrated in a few coastal cities. To change this irrational layout, China has since liberation vigorously stepped up economic construction in the hinterland while making full use of the original industrial bases along the coast. In more than 30 years, investments in the hinterland totaled 470.9 billion yuan, 57.6 percent of the total national investment. Many new industrial bases were established in the hinterland, and many new industrial cities have appeared. By the end of 1983, the ratio of fixed assets of the state-owned industrial enterprises in the hinterland to the total national figure had risen from 28 percent in 1952 to 57 percent. Communications were also greatly developed in the hinterland in the past 30 and more years. Of the operational mileage of railways newly built and put into operation, more than 80 percent belonged to the hinterland. Sichuan, Fujian, Xinjiang, Qinghai, and Ningxia, which were inaccessible by railway before liberation, now have their own railways. Shanxi and Yunnan which had only narrow-gauge railways before liberation, now have standard-gauge railways to link with other railways in the country. In western Henan, western Hubei and western Hunan, transportation was very inconvenient in the past; now these regions are accessible by railways. The improvement of industrial distribution and the layout of the railway network are of great significance in developing the inland economy and strengthening national defense.

Higher Standards of Technical Equipment in Various Sectors of the National Economy

Large-scale capital construction and systematic technical transformation in China after liberation have provided new technical equipment for various sectors of the national economy. From 1953 to 1983, investment in capital construction increased the value of equipment by more than 270 billion yuan, while investment in renovation and transformation measures increased the value by another 100 billion yuan. These equipment items were mainly designed and manufactured in China through self-reliance. Some of them, such as the equipment for nuclear industrial bases of advanced world standards, the space industrial base, artificial satellites, space rockets, the Gezhouba hydropower station, the glass production line with the float process in Luoyang Glass Plant of Henan, are advanced modern equipment. At the same time, active efforts were made to import advanced foreign technical equipment. During the First 5-Year Plan, 156 sets of equipment were imported from the Soviet Union and the Eastern European countries. Since the 1970's, we have imported complete plants in separate groups and separate periods from the United States, Japan, and France. Among these plants are Shanghai's Baoshan Iron and Steel Complex originally designed to produce 6.7 million tons of steel a year and expected to be the largest integrated enterprise with the most up-to-date technology in China; the 1.7-meter rolling mill of Wuhan Iron and Steel Plant that is capable of high-speed, continuous, and automatic production; 17 sets of chemical fertilizer equipment, 7 sets of chemical fiber equipment, 6 sets of ethylene equipment, and other large petrochemical equipment; and the equipment for producing synthetic leather, alkylbenzene, tri-poly sodium phosphate, color kinescope, and new building materials. These imported items have filled certain blanks in our industrial production and raised the industrial technical standards.

Improvement of People's Material and Cultural Lives

In the past 30 and more years, the state invested 225.4 billion yuan, 25 percent of the total capital construction investment, in housing, cultural and educational undertakings, urban public utilities, and other nonproductive construction projects to meet the people's daily needs. The investment in housing amounted to 93.5 billion yuan, 10 percent of the investment in nonproductive projects, and 927.07 million square meters of floorspace was completed for the accommodation of more than 18 million workers. The completed construction area was 52.32 million square meters for medical agencies and 185.08 million square meters for schools. Urban public facilities have also undergone great developments. By the end of 1983, 57,000 km of water pipes, 8.6-fold the length before liberation, and 26,000 km of sewage pipes, 4.4-fold the length before liberation were laid in the cities. The length of urban highways totaled 34,000 km, 3-fold the length before liberation.

Since the 3d Plenum of the 11th CPC Central Committee, the state has carefully readjusted the relationship between the productive and nonproductive capital construction projects and strengthened the latter in view of their bearing on people's living conditions. In the 5 years from 1979 to 1983, the investment in nonproductive projects amounted to 104.9 billion yuan, equivalent to 89 percent of the total amount in the previous 26 years. The completed floorspace of houses totaled 395.35 million square meters, equivalent to 76 percent of the floorspace completed in the previous 26 years.

With the implementation of the rural economic policy, the peasants while developing agricultural production were able to enjoy better housing conditions. In the 5 years from 1979 to 1983, about 180 million new houses with a total floorspace of 2.8 billion square meters were built for the peasants.

Great achievements were made in fixed-asset investments during the past 30 and more years. However, we have also met with setbacks. In some years, the scale of capital construction was blindly expanded beyond the state's financial and material capability, leading to an unbalanced national economy. At the same time, the orientation of investments was not quite rational because of the blind and duplicate construction in expanding the processing industry. Furthermore, poor management has led to waste and poor investment returns. In view of these problems, the party and government have laid down the policy of strengthening the key projects and strictly controlling the scale of capital construction with forceful measures. These measures are now beginning to produce results.

Total Fixed-Asset Investment of State-Owned Units

Unit: 100 million yuan

Year	Total	Capital construction	Renovation, transformation, and other measures
1950	11.34	11.34	
1951	23.46	23.46	
1952	43.56	43.56	
1953	91.59	90.44	1.15
1954	102.68	99.07	3.61
1955	105.24	100.36	4.88
1956	160.84	155.28	5.56
1957	151.23	143.32	7.91
1958	279.06	269.00	10.06
1959	368.02	349.72	18.30
1960	416.58	388.69	27.89
1961	156.06	127.42	28.64
1962	87.28	71.26	16.02
1963	116.66	98.16	18.50
1964	165.89	144.12	21.77
1965	216.90	179.61	37.29
1966	254.80	209.42	45.38
1967	187.72	140.17	47.55
1968	151.57	113.06	38.51
1969	246.92	200.83	46.09
1970	368.08	312.55	55.53
1971	417.31	340.84	76.47
1972	412.81	327.98	84.83
1973	438.12	338.10	100.02
1974	463.19	347.71	115.48
1975	544.94	409.32	135.62
1976	523.94	376.44	147.50
1977	548.30	382.37	165.93
1978	668.72	500.99	167.73
1979	699.36	523.48	175.88
1980	745.90	558.89	187.01
1981	667.51	442.91	224.60
1982	845.31	555.53	289.78
1983	951.96	594.13	357.83
1950—1983 total	11,632.85	8,969.53	2,663.32
1953—1983 total	11,554.49	8,891.17	2,663.32

Note: This table, and the other tables in this chapter, are based on data for state-owned units.

Total Capital Construction Investment in Coastal and Interior Regions

Period (year)	Investment (100 million yuan)		Percentage of investment	
	Coast	Interior	Coast	Interior
First 5-Year Plan	217.26	275.57	44.1	55.9
Second 5-Year Plan	462.62	675.61	40.6	59.4
1963~1965	147.38	245.77	37.5	62.5
Third 5-Year Plan	262.85	631.21	29.4	70.6
Fourth 5-Year Plan	625.36	959.34	39.5	60.5
Fifth 5-Year Plan	988.21	1,171.59	45.8	54.2
including: 1978	200.83	255.35	44.0	56.0
1979	221.09	262.95	45.7	54.3
1980	248.69	278.46	47.2	52.8
Sixth 5-Year Plan				
1981	212.20	209.53	50.3	49.7
1982	266.50	257.95	50.8	49.2
1983	277.96	282.80	49.6	50.4
1953-1983 total	3.460.34	4,709.37	42.4	57.6

Notes:
1. Coastal regions include the 11 provinces, autonomous regions, and municipalities of Beijing, Tianjin, Hebei, Liaoning, Guangdong, Guangxi, Shanghai, Jiangsu, Zhejiang, Fujian, and Shandong. The other provinces and autonomous regions are considered interior.
2. No difference is made between coastal and interior regions in investment in state purchases of locomotives, rolling stocks, ships, and airplanes or in such special engineering projects as national defense. Therefore, the sum of investments in both the coast and the interior is slightly less than the national capital construction investment in the preceding table.

Amount of Capital Construction Investment for Various National Economic Sectors

Unit: 100 million yuan

Period (year)	Total	Industry	Construction industry	Geological prospecting	Agriculture, forestry, water conservation and meteorology	Transportation, posts and telecommunications	Commerce, catering, service, and material supply	Scientific research, culture, education, public health, and social welfare	Urban public utilities	Others
First 5-Year Plan	588.47	250.26	21.54	14.36	41.83	90.15	21.40	44.56	14.43	89.94
Second 5-Year Plan	1,206.09	728.30	16.30	14.25	135.71	163.30	24.12	46.39	27.55	50.17
1963-1965	421.89	210.18	8.91	1.68	74.46	53.78	10.44	24.05	12.31	26.08
Third 5-Year Plan	976.03	541.51	17.38	4.57	104.27	150.01	21.04	27.44	17.38	92.43
Fourth 5-Year Plan	1,763.95	977.97	28.57	11.76	173.08	317.59	50.41	55.45	33.61	115.51
Fifth 5-Year Plan	2,342.17	1,231.71	43.43	29.53	246.08	302.45	87.35	127.82	95.12	178.68
Including: 1978	500.99	273.16	8.84	11.65	53.34	68.04	15.29	21.77	15.39	33.51
1979	523.48	256.85	11.47	7.40	57.92	64.09	20.57	33.47	29.91	41.80
1980	558.89	275.61	11.31	3.03	52.03	62.34	28.57	44.29	33.81	47.90
Sixth 5-Year Plan										
1981	442.91	216.01	9.21	2.50	29.21	40.47	28.01	43.63	31.85	42.02
1982	555.53	260.60	10.67	2.59	34.12	57.21	35.97	50.81	42.22	61.34
1983	594.13	282.28	10.53	3.36	35.45	78.04	28.92	59.44	38.02	58.09
1953-1983 total	8,891.17	4,698.82	166.54	84.60	874.21	1,253.00	307.68	479.59	312.49	714.28

Productive and Nonproductive Capital Construction Investment

Period (year)	Investment amount (100 million yuan)			Percentage of total amount		
	Productive construction	Nonproductive construction		Productive construction	Nonproductive construction	
		Total	including: housing		Total	including: housing
First 5-Year Plan	394.50	193.97	53.79	67.0	33.0	9.1
Second 5-Year Plan	1,029.66	176.43	49.56	85.4	14.6	4.1
1963-1965	335.05	86.84	29.09	79.4	20.6	6.9
Third 5-Year Plan	818.02	158.01	39.32	83.8	16.2	4.0
Fourth 5-Year Plan	1,455.16	308.79	100.74	82.5	17.5	5.7
Fifth 5-Year Plan	1,729.94	612.23	277.29	73.9	26.1	11.8
including: 1978	396.24	104.75	39.21	79.1	20.9	7.8
1979	365.14	158.34	77.28	69.8	30.2	14.8
1980	359.28	199.61	111.66	64.3	35.7	20.0
Sixth 5-Year Plan						
1981	252.43	190.48	111.19	57.0	43.0	25.1
1982	302.90	252.63	141.05	54.5	45.5	25.4
1983	346.44	247.69	125.07	58.3	41.7	21.1
1953-1983 total	6,664.10	2,227.07	827.10	75.0	25.0	10.4

Capital Construction Investment in Agriculture, Light Industry, Heavy Industry (Classified according to national economic sectors)

Period (year)	Investment amount (100 million yuan)			Percentage of investment		
	Agriculture	Light industry	Heavy industry	Agriculture	Light industry	Heavy industry
First 5-Year Plan	41.83	37.47	212.79	7.1	6.4	36.1
Second 5-Year Plan	135.71	76.59	651.71	11.3	6.4	54.0
1963-1965	74.46	16.47	193.71	17.7	3.9	45.9
Third 5-Year Plan	104.27	42.62	498.89	10.7	4.4	51.1
Fourth 5-Year Plan	173.08	103.03	874.94	9.8	5.8	49.6
Fifth 5-Year Plan	246.08	156.25	1,075.46	10.5	6.7	45.9
including: 1978	53.34	29.30	243.86	10.6	5.8	48.7
1979	57.92	30.60	226.25	11.1	5.9	43.2
1980	52.03	50.89	224.72	9.3	9.1	40.2
Sixth 5-Year Plan						
1981	29.21	43.38	172.63	6.6	9.8	39.0
1982	34.12	46.45	214.15	6.1	8.4	38.5
1983	35.45	38.75	243.53	6.0	6.5	41.0
1953-1983 total	874.21	561.01	4,137.81	9.8	6.3	46.5

Capital Construction Investment in Energy Industry, Transportation, Posts and Telecommunications

Period (year)	Investment amount (100 million yuan)		Percentage of investment	
	Energy industry	Transportation, posts and telecommunications	Energy industry	Transportation, posts and telecommunications
First 5-Year Plan	71.44	90.15	12.1	15.3
Second 5-Year Plan	200.96	163.30	16.7	13.5
1963-1965	63.66	53.78	15.1	12.7
Third 5-Year Plan	154.09	150.01	15.8	15.4
Fourth 5-Year Plan	309.13	317.59	17.5	18.0
Fifth 5-Year Plan	486.41	302.45	20.8	12.9
including: 1978	113.83	68.04	22.7	13.6
1979	109.92	64.09	21.0	12.2
1980	114.99	62.34	20.6	11.2
Sixth 5-Year Plan				
1981	91.24	40.47	20.6	9.1
1982	101.38	57.21	18.3	10.3
1983	126.55	78.04	21.3	13.1
1953-1983 total	1,604.86	1,253.00	18.1	14.1

Increased Productive Capacity for Major Products From Capital Construction

Period (year)	Coal mining (10,000 tons)	Power generation (10,000 kwh)	Petroleum extraction	Steel smelting	Iron ore mining	Synthetic ammonia (10,000 tons)
			(10,000 tons)			
First 5-Year Plan	6,376	246.9	131.2	281.6	1,643.4	13.7
Second 5-Year Plan	14,920	863.8	816.6	1,273.0	2,186.0	42.0
1963-1965	2,392	215.3	674.6	80.5	379.8	78.6
Third 5-Year Plan	6,806	869.4	2,777.0	652.7	3,590.1	244.4
Fourth 5-Year Plan	8,121	1,743.2	4,104.2	597.9	4,494.6	429.2
Fifth 5-Year Plan	6,493	1,929.0	3,975.3	588.0	2,097.0	592.4
including: 1978	1,151	504.8	999.6	112.5	115.0	95.7
1979	1,393	465.1	800.0	210.0	462.0	93.9
1980	829	287.1	574.7	70.8	274.0	33.0
Sixth 5-Year Plan						
1981	1,373	263.7	518.9		475.0	37.5
1982	820	294.3	636.5	18.0	310.0	72.5
1983	1,852	446.6	810.8	6.0	30.0	11.7
1953-1983 total	49,153	6,863.2	14,445.1	3,497.7	15,205.9	1,522.0

Note: Petroleum extraction capacity includes the increased capacity from renovation and transformation measures.

[continued]

[Continuation of previous table]

Period (year)	Chemical fertilizers (10,000 tons)	Timber felled, transported (10,000 m³)	Cement (10,000 tons)	Plastics (10,000 tons)	Kinescope (10,000)	Cotton spindles (10,000)
First 5-Year Plan	9.24	409.0	261.3			201.0
Second 5-Year Plan	66.88	649.4	1,173.6	3.75		295.5
1963~1965	125.71	274.9	222.1	0.20		57.8
Third 5-Year Plan	204.16	415.9	1,533.0	18.70		322.0
Fourth 5-Year Plan	372.38	611.6	1,128.3	7.50		94.3
Fifth 5-Year Plan	473.55	361.4	1,119.6	53.71	15	190.5
including: 1978	83.52	77.8	189.1	1.00		25.0
1979	82.21	89.2	273.8	11.15		54.0
1980	27.94	49.8	288.8	1.96	15	76.1
Sixth 5-Year Plan						
1981	32.28	29.8	154.4	0.10	162	51.0
1982	65.31	33.3	236.8	2.00	168	51.0
1983	8.25	44.7	345.7	0.75	50	31.2
1953—1983 total	1.357.76	2.830.0	6.174.8	86.71	395	1,294.3

[Continuation of previous table]

Period (year)	Chemical fibers (10,000	Refined sugar tons)	Salt (10,000	Machine made paper, cardboard tons)	Railways newly available for operation (km)	New highways (km)	Seaport cargo-handling capacity (10,000 tons)
First 5-Year Plan	0.50	62.0	151.3	24.9	4,162	83,403	835
Second 5-Year Plan	0.87	109.7	644.7	112.7	6.120	37,047	1,599
1963~1965	4.27	22.5	16.3	9.8	1,099	12,629	425
Third 5-Year Plan	1.23	20.0	200.0	90.3	3,894	31.223	1.191
Fourth 5-Year Plan	12.40	44.4	150.0	35.0	4,866	40.065	4,805
Fifth 5-Year Plan	26.26	72.1	159.7	34.7	3,776	40.344	5,321
including: 1978	2.80	12.1	19.7	3.5	1.296	10,578	657
1979	8.33	22.6	44.4	11.2	289	4,956	336
1980	6.03	11.3	52.1	10.1	1,008	3,036	524
Sixth 5-Year Plan							
1981	6.73	17.4	32.4	4.4		1,554	236
1982	2.91	34.6	30.6	5.9	31	751	2,000
1983	5.13	33.1	15.0	9.2	601	1.462	1.773
1953—1983 total	60.30	415.8	1.400.0	326.9	24.549	248.478	18.185

Rate of Availability of Fixed Assets in Capital Construction and Proportion of Large and Medium Projects Completed and Put Into Operation

Period (year)	Increased value of fixed assets (100 million yuan)	Rate of availability (percent)	Number of large and medium projects completed, operating	Percentage of these projects
First 5-Year Plan	492.18	83.6	595	15.5
Second 5-Year Plan	861.82	71.5	581	8.1
1963-1965	367.79	87.2	355	10.4
Third 5-Year Plan	580.13	59.4	743	11.5
Fourth 5-Year Plan	1,082.34	61.4	742	9.4
Fifth 5-Year Plan	1,747.31	74.6	515	7.4
including: 1978	372.30	74.3	99	5.8
1979	438.02	83.7	128	9.7
1980	442.06	79.1	82	8.3
Sixth 5-Year Plan				
1981	383.40	86.6	79	10.6
1982	413.10	74.4	116	14.2
1983	453.10	76.3	91	11.2
1953-1983 total	6,381.17	71.8	3,817	

Notes: 1. Statistics on the increased value of fixed assets are incomplete and the availability rate was low during the Third 5-Year Plan.

2. Average annual figures are used in the percentage of large and medium projects completed and in operation in various projects.

Area of Completed Housing Within Capital Construction

Unit: 10,000 m^2

Period (year)	Completed housing area (m^2)	Factory buildings	Warehouses	Offices	Residential housing	Schools	Medical establishments	Others
First 5-Year Plan	26.640	2,239	2.678	1,719	9,454	2,385	583	7,582
Second 5-Year Plan	38,111	10,515	4.593	1,893	11,012	3,322	576	6,200
1963-1965	10,850	1,865	1.327	517	4,271	1,145	264	1,461
Third 5-Year Plan	20,166	4,033	2,420	1.008	5,400	1,774	544	4,987
Fourth 5-Year Plan	38,296	8,705	4.369	2.043	12,573	3,392	1,150	6,064
Fifth 5-Year Plan	50,040	8,085	4,190	2.744	23,486	3,585	1,204	6,746
including: 1978	9,011	1,752	828	473	3,752	639	245	1,322
1979	12,000	1,702	886	607	6.256	734	260	1,555
1980	14,500	1,595	919	823	8,230	866	246	1,821
Sixth 5-Year Plan								
1981	12,941	1.024	631	599	7.904	780	213	1,790
1982	14,357	989	635	744	9.020	717	240	2,012
1983	13,212	860	515	705	8.125	944	273	1,790
1953-1983 total	224,613	38.315	21.358	11,972	91,245	18,044	5,047	38,632

Chapter 5. Agricultural Reform and Development

In the past 30 and more years, China has made great achievements in reforming the economic system of agriculture and in agricultural construction, resulting in a fairly rapid development of agricultural production. Despite the shortage of farmland, agriculture has basically solved the problem of feeding a population of 1 billion and ensured the gradual improvement of the living conditions of the urban and rural population. This is a tremendous success recognized at home and abroad.

Reform of the Economic System in Agriculture as a Strong Impetus to China's Continued Development of Agricultural Production

Before liberation, China's agricultural economy was under a feudal system of private land ownership. The landlords and rich peasants, who accounted for less than 10 percent of the population, owned more than 70 percent of all farmland, while the hired hands, poor peasants, and middle peasants, accounting for more than 90 percent of the rural population, owned less than 30 percent of the farmland. Most of the farm tools, farm animals, and other means of agricultural production were also owned by the landlords and rich peasants. Because of the fetters of the feudal system and the wanton exploitation by the landlord class, agricultural production was severely handicapped and disrupted.

Abolition of the feudal system of exploitation in land ownership was one of the basic tasks during the democratic revolution. Before national liberation, land reform had been carried out in basically all the revolutionary bases and liberated areas under CPC leadership. After liberation, the broad masses of peasants under the CPC leadership launched a large-scale land reform movement, and in 1952, when the period of national economic recovery ended, this movement was successfully completed throughout the country (with the exception of certain minority areas). More than 300 million peasants who had little or no land, were given 700 million mu of land in addition to many houses, farm animals, farm and other tools, and grain. They no longer had to bear the burden of exorbitant rents or to surrender about 35 million tons of grain every year in payment of these rents. They were free from the relations of production under which they had been victims of exploitation for thousands of years.

To speed up the socialist transformation of agriculture and socialist construction so that the peasants could embark on the road of common prosperity after land reform, the party and government led the peasants engaged in individual farming onto the road of cooperation in good time under the principle of voluntary participation, mutual benefits, demonstration through advanced examples, and extension of state aids, and using the method of gradual advance. Agricultural cooperation was basically accomplished in about 4 years, after the formation of mutual-aid teams, elementary agricultural producer cooperatives, and then advanced agricultural producer cooperatives. By the end of 1956, 118 million households, 96.3 percent of the total number of peasant households in the country, had joined these cooperatives. The socialist economic system in agriculture was basically established. In 1958, rural people's communes were organized on the basis of agricultural producer cooperatives. However, the management of these communes and the allocation of labor were overcentralized, the mode of their operation was too monotonous, and egalitarianism was practiced in distribution. The peasants' enthusiasm and initiative were restricted and the superiority of our socialist agriculture could not be given full play.

The 3d Plenum of the 11th CPC Central Committee realistically analyzed the situation of our agriculture, summed up the historical experiences both positive and negative, and adopted a resolution to accelerate the development of our agricultural production. In our countryside, output-related responsibility systems were gradually introduced in various forms, and by now, the method of dividing up the work of the production team among the households is mainly used under the output-related responsibility system. At the end of 1983, 94.5 percent of all peasant households were practicing this system. It is a new form of socialist cooperative economy based on a combination of both centralized and decentralized operation on the foundation of collective ownership of land and other basic means of production. This form is particularly useful in implementing the principle "to each according to his work," in effectively overcoming the defects of egalitarianism, in giving play to both the superiority of collectives and the initiative of individuals, and in opening a way for the development of socialist agriculture with typical Chinese characteristics.

Remarkable Achievements in Technical Transformation of Agriculture

After liberation, China actively carried out technical transformation along with the reform in the economic system of agriculture.

Large-scale farmland water conservation was carried out. In the past 30 and more years, the state built 335 large reservoirs, each with a capacity of more than 100 million cubic meters, and 2,367 medium-size ones, each with a capacity of 10 to 100 million cubic meters. In the same period, the organized peasants also carried out large-scale farmland water conservation with state aid. These water conservation projects have increased the power to resist flood and drought disasters. In 1983, the area of effective irrigation amounted to 670 million mu, an increase of 430 million mu or a 1.8-fold increase over 1949.

Farm machinery was developed from scratch. Old China had virtually no farm machines and the peasants had to use farm animals and iron, bamboo or wooden farm tools for their daily work. After liberation, along with the development of our machinery industry and the continued progress of the rural economy, the amount of farm machines owned also rapidly increased. In 1983, the power capacity of farm machines owned by the peasants reached 245 million horsepower, an increase of more than 979-fold over 1952. This is far more than the capacity of farm animals in terms of horsepower. In 1983, there were 841,000 large and medium-size tractors, 2.75 million walking tractors, 7,849 horsepower for drainage and irrigation power machines, and 275,000 trucks. After adoption of the output-related responsibility system, among the households, the peasants bought many farm machines to develop production. In 1983, the peasant households owned 227,000 large and medium-size tractors, 27 percent of the national total, 1.88 million walking tractors, 68.4 percent of the national total, and 90,000 trucks, 32.7 percent of the national total. More farm machines were used with a higher mechanization standard. In 1983, 34.1 percent of the farmland and 56.6 percent of all effective irrigation areas were mechanized.

The use of chemical fertilizers has also greatly increased since liberation. In 1983, the amount used totaled 16.6 million tons, an increase of more than 210-fold over that of 1952. The types of chemical fertilizers have also been increased. For a fairly long time in the past, nitrogenous fertilizer was commonly used, and the content of sodium bicarbonate was very high. Now, the ratio of phosphate, potassium, and compound fertilizer has been raised, while chemical fertilizers with trace element borax and zinc have begun to be used.

The use of electricity and diesel oil for agriculture in the countryside has also greatly increased. In 1983, the volume of consumption in the countryside reached 43.52 billion kwh, and that of diesel, more than 7 million tons.

Science and technology in agriculture have developed to a certain extent. In 1983, the number of agrotechnicians reached 405,000. These technicians have done a great deal of work in cooperation with the peasants in soil reform, water conservation, seed improvement, rational close planting, plant protecting, field management, and farm machine renovation with very good results. Examples of their achievements are the successful research on hybrid rice and Lumian No 1. Their extensive planting has remarkable effects on the increase in grain and cotton yields.

Fairly Rapid Development in Agricultural Production

Along with the economic reform and the improvement of agricultural conditions, agricultural production has developed fairly rapidly.

In 1983, GVAO, calculated according to current prices, reached 312.1 billion yuan, a 4-fold increase over 1949 with an average annual increase of 4.8 percent, according to comparable prices.

For more than 30 years, agriculture in our country has had its ups and downs. Soon after liberation, reform in the relations of production helped to speed up the recovery and development of agricultural production. From 1950 to 1952, GVAO increased by an average of 14.1 percent each year, and in 1952, the output of the major agricultural products surpassed the highest annual output before liberation. From 1953 to 1957, agriculture maintained its steady development and GVAO increased by an average of 4.5 percent each year. Beginning 1958, we made the mistake of starting the "Great Leap Forward" and the people's commune movement which not only failed to increase, but even reduced agricultural output. It was not until 1964 that the output returned to its 1957 level. Then the "Great Cultural Revolution" began and the spate of "leftist" mistakes severely dampened the peasants' enthusiasm and restricted the development of productive forces. In 1976, compared with 1966, cotton output dropped 12.1 percent, and the already low output of peanuts, rapeseed, and sesame--the three major oil-bearing plants--further dropped 1.7 percent. Although "taking grain as the key link" was stressed year after year, the average annual increase in grain output was only 2.95 percent. Agriculture then became a weak link in the entire national economy.

A gratifying situation emerged after the 3d Plenum of the 11th CPC Central Committee with the economic reform in the countryside and the implementation of various economic policies.

The sluggish growth of agriculture had ended. In the 26 years from 1953 to 1958, the average annual growth of GVAO was only 3.2 percent, while in the past 5 years, it was increased to 7.9 percent, much faster than before. The total national grain output reached 200 million tons in 1957 and was increased to only 300 million tons in 1978. The average annual increase in 20 years was only 5.24 million tons. After 1979, grain output increased very rapidly and reached 387.28 million tons in 1983. The average annual increase was 16.5 million tons. Cotton output from 1958 to 1978 was always around 2 million tons. In 1983, it reached 4,637,000 tons, an increase of 2.47 million tons, more than doubling that of 1978.

There has been a change in orientation from the production of grain alone to an economic diversification including agriculture, forestry, animal husbandry, sideline occupation, and fishery, as well as a comprehensive development of agriculture, industry, and commerce. In 1978, crop farming accounted for 67.8 percent of GVAO, and grain accounted for 76.7 percent of crop farming. In the past 5 years, the internal structure of agriculture began to change. Of GVAO in 1983, the proportion of crop farming dropped down to 62.1 percent, while those of forestry, animal husbandry, sideline occupation, and fishery rose to 37.9 percent. Industry, transportation, commerce, services trades, and the building industry also continued to develop. Of the peasants' net income from productive sources in 1983, 18.7 percent came from industry, the building industry, transportation, commerce, and catering trade in the countryside, averaging 51.1 yuan per person. The percentage was even higher in some rural regions which were more economically developed.

There has also been a change from a self-sufficiency or semiself-sufficiency economy to a commodity economy. In the past, the rural economy in our country was for a long time in a self-sufficient or semiself-sufficient state. Since 1979, a commodity economy has developed vigorously in the countryside. In 1983, compared with 1978, the commodity rate of grain was increased from about 20 percent to more than 30 percent, and that of agricultural sideline products, from 49 percent to 55 percent. Because of the commercialization in production, the peasants' daily consumption began to change from one of mainly self-sufficiency to one of a mainly commercial nature. In 1983, the proportion of expenses paid by peasants in cash rose from 39.7 percent in 1978 to 58.8 percent of their entire living expenses, while the proportion of expenses of a self-sufficient nature dropped from 60.3 to 41.2 percent.

Traditional agriculture has changed to modern agriculture. Since the output-related responsibility system on a household basis was adopted, studying and applying science has become an earnest desire and conscious action by peasants.

Many young and middle-aged people have become trailblazers in using science to serve agriculture, and modern agrotechnology is developing rapidly. The technologies of plant covers, fine-strain cultivation, rational fertilizer application, scientific breeding, and production of compound feed have all made new progress.

Poor agricultural economic results have become good economic results. In 1983, each farm laborer created an average agricultural output value of 893 yuan, a 30.6 percent increase over 1978, averaging a 5.5 percent increase each year, which was far more than the average increase of 1.2 percent in the previous 26 years (from 1953 to 1978). Compared with 1978, calculated according to the sown acreage, grain output per mu increased from 168.5 kg to 226.5 kg; that of cotton, from 29.5 kg to 51 kg; and that of oil-bearing plants, from 56 kg to 84 kg. The ratio of net income to gross income in the rural economy increased also from 60.2 percent to 64.2 percent.

At present, a diversified socialist agricultural economic structure consisting mainly of collective economy with varying scopes of organization and different modes of operation, and permitting the coexistence of state farms and household economy has taken shape in our countryside. Such an economic structure is advantageous to the development of productive forces in agriculture and giving play to the superiority of socialism, and will open a vast vista for economic construction and social development in the countryside.

Gross Value of Agricultural Output

Year	GVAO (100 million yuan)	Indices (Percentage of 1952)
(Based on 1952 constant prices)		
1949	326	67.4
1950	384	79.3
1951	420	86.8
1952	484	100.0
1953	499	103.1
1954	516	106.6
1955	555	114.7
1956	583	120.5
1957	604	124.8
(Based on 1957 constant prices)		
1957	537	
1958	550	127.8
1959	475	110.4
1960	415	96.4
1961	405	94.1
1962	430	99.9
1963	480	111.6
1964	545	126.7
1965	590	137.1
1966	641	149.0
1967	651	151.2
1968	635	147.5
1969	642	149.2
1970	716	166.3
1971	738	171.4
(Based on 1970 constant prices)		
1971	1,090	
1972	1,088	171.1
1973	1,179	185.5
1974	1,228	193.2
1975	1,285	202.1
1976	1,317	207.1
1977	1,339	210.6
1978	1,459	229.6
1979	1,584	249.4
1980	1,646	259.1
(Based on 1980 constant prices)		
1980	2,223	
1981	2,369	276.2
1982	2,632	306.8
1983	2,882	335.9

Note: The indices in this table are based on comparable prices.

Composition of Gross Value of Agricultural Output (Percentage of each sector within GVAO)

Unit: Percent

Year	Agriculture	Forestry	Animal husbandry	Sideline industries		Fishery
				Total	by production brigades and teams	
1949	82.5	0.6	12.4	4.3		0.2
1952	83.1	0.7	11.5	4.4		0.3
1957	80.6	1.7	12.9	4.3		0.5
1965	75.8	2.0	14.0	6.5		1.7
1978	67.8	3.0	13.2	14.6	11.7	1.4
1979	66.9	2.8	14.0	15.1	12.5	1.2
1980	63.7	4.2	15.3	15.1	11.2	1.7
1981	63.2	4.2	15.2	15.7	11.7	1.7
1982	62.8	4.1	15.5	15.9	11.5	1.7
1983	62.1	4.1	14.7	17.4	12.9	1.7

Notes: 1. The calculations for 1949-1965 are based on 1957 constant prices; those for 1980-1983 on 1980 constant prices.

2. Industry by production brigades and teams includes industry originally run by production brigades and teams as well as industry run by peasant households jointly and individual handicrafts.

Acreage of Agricultural Crops

Unit: 10,000 mu

Year	Total acreage	Grain crops		Cash crops	
		Acreage	Percent of total acreage	Acreage	Percent of total acreage
1952	211,884	185,968	87.8	18,741	8.8
1957	235,866	200,450	85.0	21,690	9.2
1965	214,936	179,441	83.5	18,315	8.5
1978	225,156	180,881	80.3	21,660	9.6
1979	222,715	178,894	80.3	22,151	10.0
1980	219,569	175,851	80.1	23,882	10.9
1981	217,736	172,437	79.2	26,341	12.1
1982	217,132	170,194	78.4	28,191	13.0
1983	215,990	171,071	79.2	26,641	12.3

Output of Major Agricultural Products (Based on metric system)

Unit: 10,000 tons

Year	Grain	Included in grain output				
		Rice	Wheat	Maize	Soybeans	Tubers
1949	11,318	4,865	1,381		509	985
1950	13,213	5,510	1,450		744	1,239
1951	14,369	6,056	1,723		863	1,400
1952	16,392	6,843	1,813	1,685	952	1,633
1953	16,683	7,127	1,828	1,669	993	1,666
1954	16,952	7,085	2,334	1,714	908	1,698
1955	18,394	7,803	2,297	2,032	912	1,890
1956	19,275	8,248	2,480	2,305	1,024	2,185
1957	19,505	8,678	2,364	2,144	1,005	2,192
1958	20,000	8,085	2,259		867	3,273
1959	17,000	6,937	2,218		876	2,382
1960	14,350	5,973	2,217		639	2,035
1961	14,750	5,364	1,425		621	2,173
1962	16,000	6,299	1,667		651	2,345
1963	17,000	7,377	1,848	2,058	691	2,139
1964	18,750	8,300	2,084	2,269	787	2,013
1965	19,453	8,772	2,522	2,366	614	1,986
1966	21,400	9,539	2,528		827	2,253
1957	21,782	9,369	2,849		827	2,243
1968	20,906	9,453	2,746		804	2,229
1969	21,097	9,507	2,729		763	2,412
1970	23,996	10,999	2,919	3,303	871	2,668
1971	25,014	11,521	3,258	3,585	861	2,507
1972	24,048	11,336	3,599	3,210	645	2,452
1973	26,494	12,174	3,523	3,863	837	3,156
1974	27,527	12,391	4,087	4,292	747	2,824
1975	28,452	12,556	4,531	4,722	724	2,857
1976	28,631	12,581	5,039	4,816	664	2,666
1977	28,273	12,857	4,108	4,930	726	2,967
1978	30,477	13,693	5,384	5,595	757	3,174
1979	33,212	14,375	6,273	6,004	746	2,846
1980	32,056	13,991	5,521	6,260	794	2,873
1981	32,502	14,396	5,964	5,921	933	2,597
1982	35,450	16,160	6,847	6,056	903	2,705
1983	38,728	16,887	8,139	6,821	976	2,925

[continued]

[Continuation of Output of Major Agricultural Products]

Unit: 10,000 tons

Year	Cotton	Oil-bearing seeds	Included in oil-bearing seeds		
			Peanuts	Rapeseed	Sesame
1949	44.4	256.4	126.8	73.4	32.6
1950	69.2	297.2	173.9	68.3	28.7
1951	103.1	362.0	209.6	77.8	44.1
1952	130.4	419.3	231.6	93.2	48.1
1953	117.5	385.6	212.7	87.9	52.1
1954	106.5	430.5	276.7	87.8	22.9
1955	151.8	482.7	292.6	96.9	46.4
1956	144.5	508.6	333.6	92.3	29.7
1957	164.0	419.6	257.1	88.8	31.2
1958	196.9	477.0	285.7	99.9	32.3
1959	170.9	410.4	220.6	93.6	32.6
1960	106.3	194.1	80.4	74.6	15.1
1961	80.0	181.4	104.9	38.0	19.1
1962	75.0	200.3	110.0	48.8	25.5
1963	120.0	245.8	142.4	51.8	26.8
1964	166.3	336.8	174.9	93.9	30.9
1965	209.8	362.5	192.8	108.9	25.6
1966	233.7	386.4	231.5	90.6	29.0
1967	235.4		218.9	100.7	29.6
1968	235.4		191.7	90.5	24.4
1969	207.9		183.2	87.8	25.6
1970	227.7	377.2	214.8	96.5	26.3
1971	210.5	411.3	223.0	123.3	28.0
1972	195.8	411.8	209.2	139.7	25.9
1973	256.2	418.6	213.2	135.3	25.7
1974	246.1	441.4	232.3	138.2	22.6
1975	238.1	452.1	227.0	153.5	20.8
1976	205.5	400.8	187.3	134.8	22.9
1977	204.9	401.7	197.8	117.0	24.1
1978	216.7	521.8	237.7	186.8	32.2
1979	220.7	643.5	282.2	240.2	41.7
1980	270.7	769.1	360.0	238.4	25.9
1981	296.8	1,020.5	382.6	406.5	51.0
1982	359.8	1,181.7	391.6	565.6	34.2
1983	463.7	1,055.0	395.1	428.7	34.9

[continued]

[Continuation of Output of Major Agricultural Products]

Unit: 10,000 tons

Year	Jute, ambari hemp	Sugar cane	Beet-root	Silk-worm cocoon	Tea	Tobacco
1949	3.7	264.2	19.1	3.1	4.1	4.3
1950	7.9	313.3	24.5	3.4	6.5	5.7
1951	25.0	462.9	36.0	4.7	7.9	24.2
1952	30.6	711.6	47.9	6.2	8.2	22.2
1953	13.8	720.9	50.5	5.9	8.5	21.3
1954	13.7	859.2	98.9	6.5	9.2	23.2
1955	25.7	811.0	159.6	6.7	10.8	29.8
1956	25.8	865.5	164.6	7.2	12.0	39.9
1957	30.1	1,039.2	150.1	6.8	11.2	25.6
1958	26.7	1,255.3	307.8	7.4	13.5	38.7
1959	22.6	897.9	316.8	7.0	15.2	33.1
1960	20.2	825.8	159.7	6.2	13.6	18.6
1961	12.3	426.8	79.7	3.7	7.9	9.6
1962	13.2	344.3	33.9	3.7	7.4	12.9
1963	19.8	780.1	51.9	4.1	8.4	23.4
1964	23.5	1,216.1	130.4	5.2	9.2	32.4
1965	27.9	1,339.1	198.4	6.6	10.1	37.2
1966	34.9	1,140.8	262.7	7.8	10.6	57.6
1967	39.8	1,264.0	260.1	8.5	11.3	56.7
1968	39.6	1,034.1	215.5	10.5	11.8	44.1
1969	34.4	1,049.7	238.6	11.3	12.2	44.5
1970	31.4	1,345.7	210.3	12.2	13.6	39.9
1971	30.4	1,313.9	212.5	12.3	15.3	45.8
1972	37.9	1,641.6	232.2	13.6	17.0	52.3
1973	55.8	1,696.5	267.8	14.6	18.2	61.3
1974	63.0	1,643.2	228.9	16.3	19.8	58.8
1975	69.9	1,666.7	247.6	15.3	21.1	70.1
1976	73.1	1,663.1	293.2	16.3	23.3	83.7
1977	86.1	1,775.2	245.6	16.8	25.2	97.1
1978	108.8	2,111.6	270.2	17.3	26.8	105.2
1979	108.9	2,150.8	310.6	21.3	27.7	80.6
1980	109.8	2,280.7	630.5	25.0	30.4	71.7
1981	126.0	2,966.8	636.0	25.2	34.3	127.9
1982	106.0	3,688.2	671.2	27.1	39.7	184.8
1983	101.9	3,114.1	918.2	26.8	40.1	115.1

[continued]

[Continuation of Output of Major Agricultural Products]

Unit: 10,000 tons

Year	Fruits	Included in fruit output				
		Apples	Tangerines	Pears	Grapes	Bananas
1949	120.0					
1950	132.5					
1951	156.4					
1952	244.3	11.8	20.7	39.4	4.8	11.0
1953	296.9	13.9	25.5	53.1	6.6	11.6
1954	297.8	17.4	32.9	24.1	7.6	14.5
1955	255.0	20.3	28.4	40.9	6.4	9.7
1956	310.5	22.1	31.8	53.6	8.0	9.9
1957	324.7	22.2	32.2	50.4	8.5	7.3
1958	390.0	29.7	41.2	79.7	11.2	15.9
1959	425.0	32.0	41.5	92.5	12.5	17.5
1960	397.7	29.6	31.1	58.7	10.3	14.0
1961	284.1	16.7	16.9	48.1	7.0	4.8
1962	271.2	22.5	20.6	44.3	8.4	3.5
1963	287.6	24.8	17.6	50.0	8.5	4.3
1964				49.9	10.0	9.9
1965	323.9	31.8	25.4	51.1	10.0	14.5
1970	374.5	79.8	24.2	65.4	8.5	16.6
1971	386.3	85.4	23.9	82.0	10.4	12.6
1972	444.2	85.0	30.8	104.8	10.1	11.4
1973	518.2	130.1	30.5	104.5	11.5	16.1
1974	515.3	115.6	33.7	111.2	10.4	10.4
1975	538.1	158.3	33.6	108.7	12.3	16.5
1976	540.4	173.0	28.1	123.3	11.7	3.2
1977	568.5	210.8	39.8	109.2	9.1	4.2
1978	657.0	227.5	38.3	151.7	10.4	8.5
1979	701.5	286.9	55.5	143.8	12.6	7.4
1980	679.3	236.3	71.3	146.6	11.0	6.1
1981	780.1	300.6	79.8	159.3	14.8	12.6
1982	771.3	243.0	93.9	175.5	18.6	20.1
1983	948.7	354.1	129.6	179.5	24.7	20.7

Meat Output, Number of Pigs and Sheep

Year	Pork, mutton output (10,000 tons)	Slaughtered pigs (10,000 head)	Yearend number of pigs (10,000 head)	Yearend number of sheep (10,000)		
				Total	Goats	Sheep
1949	220.0		5,775	4.235	1.613	2,622
1950			6,401	4,673	1,821	2,852
1951			7.440	5,287	2,098	3,189
1952	338.5	6,545	8,977	6,178	2,490	3,688
1953		6.926	9.613	7,202	2,920	4,282
1954		7.415	10.172	8,130	3,315	4,815
1955		6,425	8.792	8.422	3.401	5,021
1956	340.0	6,157	8,403	9.165	3.855	5,310
1957	398.5	7,131	14.580	9.858	4.515	5,343
1958		8.800	13,829	9.568	4,533	5,035
1959		6,786	12,042	11,165	4,976	6,189
1960		4.346	8,227	11,281	5,117	6,164
1961		3,300	7,552	12,387	6,312	6,075
1962	194.0	4,300	9,997	13,465	7,053	6,412
1963		7,800	13.180	13,747	6.773	6,974
1964		10,500	15.247	13,669	6.224	7,445
1965	551.0	12.167	16,693	13.903	6,077	7,826
1966	596.0	13,187	19,336	13,808		
1967		13,378	19.006	14.433		
1968		13.114	17.863	14.421		
1969		12,620	17,251	14,021		
1970	596.5	12,593	20.610	14,704	6.141	8,563
1971		14,798	25.035	15,011	6,278	8,733
1972		16,598	26,368	14.932	6.134	8.798
1973		16,684	25,794	15.728	6.410	9,318
1974		16,244	26,078	16,087	6,617	9,470
1975	797.0	16,230	28,117	16,337	6,804	9,533
1976	780.5	16,650	28.725	15,817	6,546	9,271
1977	780.0	16,787	29.178	16.136	6,783	9,353
1978	856.3	16.110	30,129	16,994	7,354	9,640
1979	1,062.4	18,768	31,971	18,314	8,057	10,257
1980	1,205.4	19,861	30,543	18,731	8,068	10,663
1981	1,260.9	19,495	29,370	18,773	7,826	10,947
1982	1,350.8	20.063	30.078	18,179	7,522	10,657
1983	1,402.1	20,661	29.854	16,695	6,803	9,892

Note: Number of slaughtered pigs includes those slaughtered after state procurement and those slaughtered by the collectives, commune members, and other units.

Number of Large Animals

Unit: 10,000 head

Year	Yearend number of large animals		Included in number of large animals				
	Total	Including draught animals	Cows	Horses	Donkeys	Mules	Camels
1949	6,002		4,393.6	487.5	949.4	147.1	24.7
1950	6,538		4,810.3	521.7	1,031.7	149.7	24.6
1951	7,041		5,208.8	548.6	1,101.6	155.3	26.6
1952	7,646	5,142	5,660.0	613.0	1,180.6	163.7	28.5
1953	8,076	5,479	6,008.3	651.2	1,221.5	164.5	30.1
1954	8,530	5,724	6,362.3	693.9	1,270.0	171.7	32.0
1955	8,775	5,571	6,595.1	731.2	1,240.2	172.3	35.7
1956	8,773	5,474	6,660.1	737.2	1,168.6	171.1	36.3
1957	8,382	5,368	6,361.2	730.2	1,086.4	167.9	36.5
1958	7,768	4,982	5,906.9	689.3	977.3	157.1	37.3
1959	7,912	4,660	6,109.4	705.8	903.0	154.7	38.7
1960	7,336	4,124	5,744.3	658.5	752.7	142.7	38.1
1961	6,949	3,818	5,500.5	621.1	656.5	133.2	37.8
1962	7,020	4,018	5,571.7	632.0	645.4	132.4	38.6
1963	7,505	4,033	5,968.0	686.5	674.6	135.5	40.2
1964	7,943	4,152	6,315.8	739.4	704.8	140.3	42.5
1965	8,421	4,322	6,695.1	792.1	743.8	144.7	44.8
1966	8,740						
1967	8,982						
1968	9,179						
1969	9,228						
1970	9,436	4,935	7,358.3	964.8	840.0	224.5	48.7
1971	9,537	4,990	7,398.6	992.6	851.3	244.4	50.5
1972	9,576	5,145	7,386.6	1,034.1	835.3	268.2	51.5
1973	9,718	5,140	7,467.6	1,073.0	835.0	292.3	50.0
1974	9,753	5,191	7,455.4	1,110.3	823.3	313.9	50.4
1975	9,686	5,122	7,354.7	1,129.9	812.7	335.4	53.5
1976	9,498	5,042	7,169.3	1,143.8	776.6	353.6	54.5
1977	9,375	4,979	7,039.8	1,144.7	763.0	371.5	56.4
1978	9,389	5,023	7,072.4	1,124.5	748.1	386.8	57.4
1979	9,459	5,029	7,134.6	1,114.5	747.3	402.3	60.4
1980	9,525	5,088	7,167.6	1,104.2	774.8	416.6	61.4
1981	9,764	5,471	7,330.1	1,097.2	841.5	432.5	62.8
1982	10,113	5,833	7,607.3	1,098.1	899.9	446.4	61.0
1983	10,350	6,125	7,808.4	1,080.6	944.9	459.3	56.4

Output of Aquatic Products

Unit: 10,000 tons

Year	Aquatic products	Marine products			Fresh-water products		
		Total	Natural	Arti-ficial	Total	Natural	Arti-ficial
1949	45						
1952	167	106	100	6	61	47	14
1957	312	194	182	12	118	61	57
1962	228	150	141	9	78	47	31
1965	298	201	191	10	97	46	51
1978	466	360	315	45	106	30	76
1979	431	319	277	42	112	30	82
1980	450	326	281	45	124	34	90
1981	461	323	277	46	138	36	102
1982	516	360	310	50	156	36	120
1983	546	362	307	55	184	42	142

Afforested Area

Unit: 10,000 hectares

Year	Afforested area		Artificial afforestation area
	Total	Of which: timber forest	
1952	108.5	50.0	2.3
1957	435.5	173.5	5.6
1962	119.9	60.6	10.6
1965	342.6	172.7	23.9
1978	449.6	313.0	45.8
1979	448.9	293.1	40.9
1980	455.2	292.7	42.2
1981	411.0	253.1	44.3
1982	449.6	263.1	44.0
1983	632.4	380.5	50.9

Output of Major Agricultural Products Compared With Highest Annual Output Before Liberation

Name of product	Unit	Best year before liberation		Indices (percentage of highest year before liberation)		
		Year	Output	1949	1952	1983
Grain, of which	10,000 tons	1936	15,000	75.5	109.3	258.2
Rice	"	1936	5,735	84.8	119.4	294.5
Wheat	"	1936	2,330	59.2	77.9	349.3
Maize	"	1936	1,010		166.8	675.3
Soybeans	"	1936	1,130	45.1	84.1	86.4
Tuber	"	1936	635	155.1	257.5	460.6
Cotton	"	1936	84.9	52.4	153.6	546.2
Peanut	"	1933	317.1	40.0	73.0	124.6
Rapeseed	"	1934	190.7	38.5	48.9	224.8
Sesame	"	1933	99.1	32.9	48.5	35.2
Jute, ambari hemp	"	1945	10.9	33.9	280.7	934.9
Mulberry cocoon	"	1931	22.1	14.0	28.1	121.3
Tussah cocoon	"	1921	9.4	12.8	64.9	76.6
Tea	"	1932	22.5	18.2	36.4	178.2
Sugar cane	"	1940	565.2	46.7	125.9	551.0
Beetroot	"	1939	32.9	58.1	145.6	2,790.9
Cured tobacco	"	1948	17.9	24.0	124.0	643.0
Apples	"	1936	12.1		97.5	2,926.4
Tangerines	"	1936	40.1		51.6	323.2
Bananas	"	1937	10.3		106.8	201.0
Yearend number of large animals	10,000 head	1935	7,151	83.9	106.9	144.7
Cows	"	1935	4,827	91.0	117.2	161.8
Horses	"	1935	649	75.1	94.5	166.6
Donkeys	"	1935	1,215	78.1	97.2	77.8
Mules	"	1935	460	32.0	35.6	99.8
Yearend number of pigs	"	1934	7,853	73.5	114.3	380.2
Yearend number of sheep	"	1937	6,252	67.7	98.8	267.0
Aquatic products	10,000 tons	1936	150	30.0	111.3	264.0

Number of Major Farm Machines in Use (Yearend number)

Year	Total power capacity (10,000 hp)	Large and medium tractors (mixed sets)	Small capacity, walking tractors (units)	Large and medium motor-driven farm machines (10,000)	Irrigation and drainage power equipment	
					10,000 sets	10,000 hp
1952	25	1,307				12.8
1957	165	14,674				56.4
1962	1,029	54,938	919	19.2	36.7	614.7
1965	1,494	72,599	3,956	25.8	55.8	907.4
1978	15,975	557,358	1,373,000	119.2	502.6	6,557.5
1979	18,191	666,823	1,671,000	131.3	538.4	7,122.1
1980	20,049	744,865	1,874,000	136.9	563.0	7,464.5
1981	21,319	792,032	2,037,000	139.0	567.2	7,498.3
1982	22,589	812,447	2,287,000	137.4	580.3	7,669.7
1983	24,503	840,776	2,750,000	130.8	607.7	7,849.2

Note: Large and medium tractors include those of more than 20 hp.

[continued]

[Continuation of above table]

Year	Combined harvesters (sets)	Heavyduty trucks (units)	Animal-drawn rubber-tired carts (10,000)	Rubber-tired wheelbarrows (10,000)	Motorized fishing boats	
					Number	10,000 hp
1952	284	280				
1957	1,789	4,084			1,485	10.3
1962	5,906	8,239	83.3	367.0	5,657	45.3
1965	6,704	11,063	133.5	875.7	7,789	64.0
1978	18,987	73,770	248.8	2,963.4	47,176	290.6
1979	23,026	97,105	247.7	3,262.4	52,225	312.9
1980	27,045	137,668	239.8	3,517.0	61,022	351.4
1981	31,268	175,126	233.7	4,126.0	73,586	398.7
1982	33,904	206,383	234.4	4,841.5	95,692	438.2
1983	35,728	274,751	258.6	5,563.4	120,167	444.3

Mechanized Farming Area and Irrigated Area

Year	Mechanized farming area (10,000 hectares)	Irrigated area (10,000 hectares)		Percentage of motorized irrigation area
		Total	Including: motorized irrigation area	
1952	13.6	1,995.9	31.7	1.6
1957	263.6	2,733.9	120.2	4.4
1962	828.4	3,054.5	606.5	19.9
1965	1,557.9	3,305.5	809.3	24.5
1978	4,067.0	4,496.5	2,489.5	55.4
1979	4,221.9	4,500.3	2,532.1	56.3
1980	4,099.0	4,488.8	2,531.5	56.4
1981	3,647.7	4,457.4	2,523.1	56.6
1982	3,511.5	4,417.7	2,514.5	56.9
1983	3,357.2	4,464.4	2,526.5	56.6

Chemical Fertilizer Application and Electricity Consumption by Small Hydropower Stations and in Rural Areas

Year	Quantity of chemical fertilizers applied (10,000 tons)	Small rural hydropower stations		Rural electricity consumption (100 million kwh)
		Number (units)	Power generating capacity (10,000 kw)	
1952	7.8	98	0.8	0.5
1957	37.3	544	2.0	1.4
1962	63.0	7,436	25.2	16.1
1965	194.2			37.1
1978	884.0	82,387	228.4	253.1
1979	1,086.3	83,224	276.3	282.7
1980	1,269.4	80,319	304.1	320.8
1981	1,334.9	74,017	336.0	369.9
1982	1,513.4	66,256	353.0	396.9
1983	1,659.8	62,328	346.3	435.2

Notes: 1. Amount of chemical fertilizers applied is based on 100 percent efficiency.

2. Amount of rural electricity consumption includes the amount supplied from the state power grid and from the power stations run by the rural areas themselves, but not the consumption by state-owned units in the countryside.

Chapter 6. Industry Advancing in Gigantic Strides

Since the founding of the People's Republic, our industrial production has developed rapidly, the economic structure and regional distribution of industry have been improved, and the technology of production has been raised to a new level. A material and technical foundation has been laid for socialist modernization.

Rapid Growth of Industrial Production

In the past 30 and more years, despite some setbacks in the development of our industrial production, the rate of growth has been on the whole very high. From 1950 to 1983, GVIO increased 56-fold, averaging 12.6 percent each year. In 1983, GVIO, calculated according to current prices, reached 608.8 billion yuan.

From the time it was founded to 1956, China completed its transition from new democracy to socialism. The national economy had a rapid recovery and economic construction began according to plan. During this period, GVIO increased by an average of 25.9 percent each year, and the economic results in industry were also fairly good. When the socialist transformation was basically completed, China began an all-round and large-scale socialist construction. In the 10 years before the "Great Cultural Revolution," industrial production developed fairly rapidly despite the mistakes of being hasty for success and their serious consequences. In 1966, compared with 1956, GVIO increased an average of 10.3 percent each year. The output of coal, crude oil, electric power, steel, machinery, and other major industrial products increased very rapidly and we began to be self-sufficient in petroleum in 1965. The "Great Cultural Revolution" caused tremendous losses to our national economy. Many industrial enterprises were paralyzed or half paralyzed, and the abolition of legitimate rules and regulations led to chaotic economic management and deteriorating economic results. The per capita output value of state-owned industrial enterprises was below the 1966 level in 9 out of the 10 years, and the profits and taxes realized per 100 yuan dropped from 29.8 yuan in 1965 to 19.3 yuan in 1976. After the 3d Plenum of the 11th CPC Central Committee, we adopted the policy of readjusting, restructuring, consolidating, and improving our national economy, and industrial production steadily improved. In 1983, compared with 1978, GVIO increased at an average rate of 7.9 percent. Light industry developed at increased speed and its long backwardness of the past came to an end. The average annual growth rate was 11.2 percent, surpassing the rate of 5.1 percent for heavy industry in the same period. The light industry departments stepped up their investigations and forecasts of market demands, improved the quality of their products, increased the designs and varieties, and developed more new products. Their easily marketable products were considerably increased. Heavy industry enlarged its sphere of service and supplied more products to help in energy conservation and to serve agriculture, light industry, and exports. Instead of one-sidedly striving for output value, industrial production as a whole has been organized to suit social demands. The quality of most products has been improved, consumption of energy and raw materials has been lowered, and the ratio between light and heavy industries has become harmonious, resulting in a sustained stable development.

Rapid industrial development raised the proportion of China's industry in the total product of society from 25.1 percent in 1949 to 55.1 percent in 1983. Several major industrial products have joined the foremost ranks of the world. In 1983, the output of our cotton yarn, cotton cloth, bicycles, and sewing machines was first; that of coal, chemical fertilizer, sulphuric acid, and cement, third; steel, fourth; electricity, sixth; and crude oil, seventh in the world.

Improved Distribution of Industrial Regions

Old China's industrial distribution was irrational, since more than 70 percent of its industry was concentrated in the coastal regions in the east. Heavy industry was mainly concentrated in Liaoning, while light industry was mainly concentrated in a few large cities such as Shanghai, Tianjin, Qingdao, and Guangzhou. In the vast hinterland (with the exception of Wuhan and Chongqing), and especially in the frontier and minority regions, there was hardly any modern industry. In the southwest, northwest, and Nei Monggol regions which occupy 60 percent of the national territory, industrial output value was only about 10 percent of the national total. Such an industrial distribution led to a serious disharmony between industrial production, on the one hand, and fuel production and consumption on the other. As a result, raw materials, fuel and finished products had to be transported over long distances, causing waste of financial and material resources. Furthermore, the abundant resources in the vast hinterland could not be properly exploited and utilized.

Soon after liberation, while properly developing the coastal industry, striving to set up the northeastern industrial base with the Anshan Iron and Steel Co. as the center, and strengthening or transforming the industry originally in Shanghai, Tianjin, Jiangsu, Shandong, and other coastal regions, China also actively proceeded with the establishment of a central China industrial base with the Wuhan Iron and Steel Co. as the center, and a north China industrial base with the Baotou Iron and Steel Co. as the center. After 1958, apart from continuing the construction of the industrial bases with Wuhan and Baotou as centers, China also set up industrial bases of a new type with iron and steel plants and large hydropower stations as their centers and continued its efforts in building petroleum and nonferrous metal industries in Xinjiang. In 1959, Daqing oilfield was successfully developed in Heilongjiang, and after 1967, industry was further strengthened in the southwest and northwest regions. Another new industrial base with the Panzhihua Iron and Steel Co. as the center was established, and several large hydropower stations as well as a number of nonferrous metal bases were built along the main course of the Huang He. At the same time, Shengli, Dagang, Liaohe and Jizhong oilfields were developed, followed by a number of petrochemical industrial bases. After 1977, construction of the Baoshan Iron and Steel Complex began in Shanghai, and a number of large coal bases were built in Shanxi and Nei Monggol. Thus along the coast and in the hinterland, comprehensive industrial bases for such basic resources as iron and steel, electric power and petroleum, have been established.

For more than 30 years, the state has allocated more than half of its capital construction investment to economic construction in the hinterland, and initially changed the improper industrial distribution inherited from old China. From 1953 to 1983, the value of fixed assets of interior industry increased 64-fold and GVIO increased 30-fold, while the fixed assets of industry along the coast increased 18-fold and GVIO increased 19-fold. Industrial development in the hinterland was faster than along the coast. The proportion of interior industrial output value in GVIO increased from 30.6 percent in 1952 to 40.5 percent in 1983.

Township and town industry is an important component of rural economy as well as an important supplement to large-scale industry. It is useful for the proper distribution of industry in urban and rural areas and for the full exploitation and utilization of natural resources in the countryside. After the 3d Plenum of the 11th CPC Central Committee, township and town industry developed rapidly in the course of industrial readjustment. In 1983, compared with 1978, the total output value of township and town industry increased 87 percent, at an average progressive rate of 13.4 percent a year. In 1983, the output of coal in township and town industry amounted to 22 percent, and that of bricks and tiles, lime, sands and gravels, and small and medium-size farm tools ranged from 75 to 90 percent of total national output.

Balance Between Light and Heavy Industries Becoming More Rational

Since the foundation of heavy industry left over from old China was very weak, the state had to adopt the policy of priority for heavy industry along with the appropriate development of light industry during the First 5-Year Plan. In these 5 years, the output value of heavy industry trebled at an average increase rate of 25.4 percent a year. The output value of light industry increased 83.2 percent at an average increase rate of 12.9 percent a year. The proportion of heavy industry output value in GVIO increased from 35.6 percent in 1952 to 48.3 percent in 1957. In the same period, that of light industry dropped from 64.4 percent to 51.7 percent. Both heavy and light industries developed at high speeds in this period. However, since the foundation of heavy industry had been very weak, suitable acceleration of its growth was necessary.

From 1958 to 1978 (with the exception of the readjustment period in 1963-1965), one-sided stress on priority for heavy industry according to the slogan "take steel as the key link" led to its excessive development at the expense of light industry and agriculture. During these 21 years, the output value of heavy industry increased at an average rate of 11 percent, and that of light industry increased at an average rate of only 8.3 percent a year. The higher rate of increase in heavy industry led to a drop in the proportion of light industry output value from 51.7 percent in 1957 down to 42.7 percent of GVIO in 1978, thus causing a serious imbalance between heavy and light industries. The national economic readjustment began in 1979, and in 1983, the output value of light industry rose to 49.6 percent of GVIO, and the development of both light and heavy industries tended to be harmonious.

In heavy industry, there has been great development in the energy industry. In 1983, compared with 1952, the industrial output of primary energy was increased 13.6-fold, up to 712.63 million tons (in terms of standard fuel). China ranked third after the United States and the Soviet Union among the energy-producing countries in the world. Along with the rapid increase in energy output was a marked change in the energy structure. Since the 1960's, following the building of the Daqing, Shengli, Dagang, and Jizhong oilfields, the exploitation of natural gas in Sichuan, and the completion and operation of a number of hydropower stations, the ratio of high-quality energy gradually rose, with a corresponding drop in that of coal. The changes in the composition of various energy ratios were as follows: Coal dropped from 95.6 percent to 71.6 percent; crude oil rose from 2.5 percent to 21.3 percent; natural gas rose from 0.5 percent to 2.3 percent; and hydropower rose from 1.4 percent to 4.8 percent. The structure of energy production has thus changed: in addition to coal, which was basically the sole source of energy, there are many other sources even though coal is still in the leading position. Our energy output, though rapidly increasing, is still inadequate for the needs of national economic development. It is one of the weak links at present.

China has fairly effectively improved the composition of raw materials for light industry. Following the development of such new industries as chemical fiber, plastic, synthetic fatty acid and artificial leather industries as well as the development of the metal materials, light industry no longer relies mainly on agriculture for raw materials. In terms of output value, the proportion of light industry products made of agricultural raw materials has dropped from 87.5 percent in 1952 to 69.4 percent in 1983, while, in the same period, that of light industry products made of industrial raw materials rose from 12.5 percent to 30.6 percent. To assist light industry in its rapid and steady growth, we must raise the ratio of industrial raw materials besides relying on the continued increase in agricultural raw materials. At the same time, while the problem of feeding and clothing the people is being solved, the product mix of light industry has also changed according to the increase in people's consumption and the changes in their consumption pattern.

Continued Progress in Industrial Technology

China's industrial technology was very backward and modern industry was very scarce before liberation. After liberation, through more than 30 years' efforts, our industrial technology has made great progress and many new industrial branches have been established. There are, for example, the modern metallurgical equipment industry, mining equipment industry, aircraft industry, motor vehicle industry, new machine-tool industry, high-grade alloy metallurgy industry, nonferrous metal metallurgy industry, petrochemical industry, atomic energy industry, space industry, large integrated circuit and electronic computer industry, and so forth. Now we are not only able to basically equip large mines, power stations, and other important enterprises engaged in the metallurgy, petrochemical, motor vehicle, and shipbuilding industries, we are also able to fill certain gaps in China's technological fields, and gradually provide a new technical foundation for industry.

All these industrial branches in China have modern equipment, and are using new materials and new techniques for new products which are up to modern standards. In metallurgy, for example, there is already one large blast furnace of 2,580 cubic meters in operation and another, soon to be completed and put into operation, of more than 4,000 cubic meters; and such new techniques as bell-less top and top combustion stoves. The maximum capacity of top-blown oxygen converters has reached 150 tons, and the output from these converters in 1983 accounted for 46.3 percent of the total steel output. The 1.7-meter rolling mill, designed in China, is already in operation in the Benxi Iron and Steel Co. In the machine-tool industry, China is already able to manufacture thermopower units of 300,000 kw, a complete plant for an iron and steel combine with an annual capacity of 1.5 million tons of steel; a 30,000-ton die-forging press; a 2,800-mm aluminum-plate rolling mill; a complete 300,000 ton-per-year synthetic ammonia plant; and a 240,000 ton-per-year urea plant. In the shipbuilding industry, China is now able to design and build 20,000-30,000-ton freighters with the method of sectional welding, and the quality of work is up to the standards required for international ship classification.

In the petroleum industry, wells more than 6,000 meters deep have been sunk and the technology of sinking deep offshore wells and inclined wells has been initially mastered. In the construction materials industry, the new technique of cement production with rotary kilns and precalcinators is being used, and the production line for plate glass with the float process has been completed and is in operation. In the textile industry, we have mastered the techniques of open-end spinning, weaving with air-jet looms, and the new technology of printing, dyeing, and finishing. In the electronics industry, the production of large and medium-size computers and microprocessors is now in the fledgling stage, and the first 100-million-operations-per-second computer, after its appraisal, has shown that China is now capable of manufacturing large computers. The manufacture of atomic bombs, hydrogen bombs, nuclear submarines, and carrier rockets, the accurate launching and recovery of guided missiles and artificial satellites, and particularly the successful launching of the experimental communications satellite and its entry into its geostationary orbit on 8 April 1984, indicates a new leap in China's space technology. China is now qualified to join the ranks of the few countries which have mastered this new technology.

China's industrial production as a whole has made great progress. However, its technical standards are still 2 or 3 decades behind those of the economically developed countries. Science and technology in the world is now about to take a new leap, and we must be prepared to face this new challenge. We must seize the opportunity and forge ahead according to the set objectives and priorities, under leadership, and on the basis of China's realities.

Gross Value of Industrial Output

Unit: 100 million yuan

Year	GVIO	Percentage of GVIO	
		Light industry	Heavy industry
(Based on 1952 constant prices)			
1949	140	103	37
1950	191	134	57
1951	264	179	85
1952	343	221	122
1953	447	280	167
1954	520	320	200
1955	549	320	229
1956	703	383	320
1957	784	405	379
(Based on 1957 constant prices)			
1957	704	374	330
1958	1,090	500	590
1959	1,484	610	874
1960	1,650	550	1,100
1961	1,019	431	588
1962	850	395	455
1963	922	404	518
1964	1,103	476	627
1965	1,394	703	691
1966	1,686	805	881
1967	1,453	748	705
1968	1,380	711	669
1969	1,853	890	963
1970	2,421	1,051	1,370
1971	2,782	1,119	1,663
(Based on 1970 constant prices)			
1971	2,389	1,023	1,366
1972	2,547	1,086	1,461
1973	2,789	1,201	1,588
1974	2,796	1,233	1,563
1975	3,219	1,393	1,826
1976	3,262	1,426	1,836
1977	3,728	1,630	2,098
1978	4,231	1,806	2,425
1979	4,591	1,980	2,611
1980	4,992	2,344	2,648
1981	5,199	2,675	2,524
(Based on 1980 constant prices)			
1981	5,178	2,663	2,515
1982	5,577	2,815	2,762
1983	6,164	3,060	3,104
Average annual growth rate			
First 5-Year Plan	18.0	12.9	25.4
Second 5-Year Plan	3.8	1.1	6.7
1963—1965	17.9	21.2	14.9
Third 5-Year Plan	11.7	8.4	14.7
Fourth 5-Year Plan	9.1	7.7	10.2
Fifth 5-Year Plan	9.2	11.0	7.7
1979—1983	7.9	11.2	5.1
1953—1983	10.7	9.5	12.2
1950—1983	12.6	11.1	15.1

Indices and Composition of Gross Output Value for Principal Industrial Sectors

Sectors	Indices			Composition			
	1983 as percentage of 1952	1983 as percentage of 1978	1983 as percentage of 1982	1957	1965	1978	1983
GVIO	2,340.1	146.1	110.5	100	100	100	100
Including:							
1. Metallurgy	2,925.0	129.0	107.9	9.3	10.7	8.7	8.5
2. Electric power	4,751.6	135.9	106.3	1.4	3.1	3.8	3.6
3. Coal	1,088.4	109.7	107.4	2.3	2.6	2.8	2.7
4. Petroleum	16,048.1	115.7	107.7	0.9	3.2	5.5	5.0
5. Chemical	11,849.5	155.6	112.5	8.2	12.9	12.4	12.0
6. Machine building	6,936.5	141.5	117.6	18.2	22.3	27.3	23.4
7: Building materials	2,667.1	147.9	110.2	3.3	2.8	3.6	4.0
8. Forestry	379.6	123.3	103.4	5.4	2.9	1.8	1.9
9. Food	758.5	156.2	105.1	19.6	12.6	11.1	12.9
10. Textile	1,027.4	183.4	110.3	18.2	15.8	12.5	15.5
11. Paper-making	1,111.1	139.4	110.0	2.3	1.8	1.3	1.3

Output of Major Industrial Products

Year	Chemical fibers (10,000 tons)	Yarn (10,000 tons)	Fabric (100 million meters)	Machine-made paper, cardboard (10,000 tons)	Sewing machines (10,000)	Bicycles (10,000)
1949		32.7	18.9	11		1.4
1952		65.6	38.3	37	6.6	8.0
1957	0.02	84.4	50.5	91	27.8	80.6
1962	1.36	54.8	25.3	112	77.9	137.1
1965	5.01	130.0	62.8	173	123.8	183.8
1978	28.46	238.2	110.3	439	486.5	854.0
1979	32.63	263.5	121.5	493	586.8	1,009.5
1980	45.03	292.6	134.7	535	767.8	1,302.4
1981	52.73	317.0	142.7	540	1,039.1	1,754.3
1982	51.70	335.4	153.5	589	1,286.0	2,420.0
1983	54.07	327.0	148.8	661	1,087.2	2,758.2

[continued]

[Continuation of above table]

Year	Watches (10,000)		Lightbulbs (100 million)	Salt (10,000 tons)	Sugar (10,000 tons)	Chemical drugs (10,000 tons)
	Total	including: wristwatches				
1949			0.13	299	20	
1952			0.26	495	45	0.01
1957	0.04	0.04	0.69	828	86	0.22
1962	81.8	76.1	2.20	994	34	0.71
1965	108.3	100.8	1.92	1,147	146	1.05
1978	1,410.8	1,351.1	7.59	1,953	227	4.07
1979	1,750.4	1,707.0	8.50	1,477	250	4.17
1980	2,267.5	2,215.5	9.46	1,728	257	4.01
1981	2,906.6	2,872.4	9.66	1,832	317	3.73
1982	3,313.2	3,301.0	10.73	1,638	338	4.22
1983	3,478.1	3,469.0	12.49	1,613	377	4.80

[continued]

[Continuation of previous table]

Year	Coal (100 million tons)	Crude oil (10,000 tons)	Natural gas (100 million m^3)	Power generation (100 million kwh)		Pig iron (10,000 tons)
				Total	Including: hydropower	
1949	0.32	12	0.07	43	7	25
1952	0.66	44	0.08	73	13	193
1957	1.31	146	0.7	193	48	594
1962	2.20	575	12.1	458	90	805
1965	2.32	1,131	11.0	676	104	1,077
1978	6.18	10,405	137.3	2,566	446	3,479
1979	6.35	10,615	145.1	2,820	501	3,673
1980	6.20	10,595	142.7	3,006	582	3,802
1981	6.22	10,122	127.4	3,093	655	3,417
1982	6.66	10,212	119.3	3,277	744	3,551
1983	7.15	10,607	122.1	3,514	864	3,738

[continued]

[Continuation of previous table]

Year	Steel (10,000 tons)	Rolled steel (10,000 tons)	Cement (10,000 tons)	Plate glass (10,000 standard cases)	Timber (10,000 m^3)
1949	15.8	13	66	108	567
1952	135	106	286	213	1,233
1957	535	415	686	462	2,787
1962	667	455	600	399	2,375
1965	1,223	881	1,634	687	3,978
1978	3.178	2.208	6,524	2,004	5,162
1979	3,448	2.497	7,390	2,330	5,439
1980	3,712	2,716	7,986	2,771	5,359
1981	3,560	2,670	8,290	3,064	4,942
1982	3,716	2,902	9,520	3,546	5,041
1983	4.002	3.072	10.825	4,167	5,232

[continued]

[Continuation of previous table]

Year	Sulphuric acid (10,000 tons)	Soda ash (10,000 tons)	Caustic soda (10,000 tons)	Agricultural chemical fertilizers (10,000 tons)		
				Total	Including: Nitrogenous fertilizers	Including: Phosphate fertilizers
1949	4.0	8.8	1.5	0.6	0.6	
1952	19.0	19.2	7.9	3.9	3.9	
1957	63.2	50.6	19.8	15.1	12.9	2.2
1962	96.8	51.9	29.0	46.4	33.8	12.6
1965	234.0	88.2	55.6	172.6	103.7	68.8
1978	661.0	132.9	164.0	869.3	763.9	103.3
1979	699.8	148.6	182.6	1,065.4	882.1	181.7
1980	764.3	161.3	192.3	1,232.1	999.3	230.8
1981	780.7	165.2	192.3	1,239.0	985.7	250.8
1982	817.5	178.5	207.3	1,278.1	1,021.9	253.7
1983	869.6	179.3	212.3	1,378.9	1,109.4	266.6

[continued]

[Continuation of previous table]

Year	Mining equipment (10,000 tons)	Power generation (10,000 kw)	Metal cutters (10,000 sets)	Motor vehicles (10,000)	Tractors (10,000)	Walking tractors (10,000)
1949	0.07		0.16			
1952	0.18	0.6	1.37			
1957	5.29	19.8	2.80	0.79		
1962	3.45	15.2	2.25	0.97	0.71	0.01
1965	4.00	68.3	3.96	4.05	0.96	0.36
1978	24.29	483.8	18.32	14.91	11.35	32.42
1979	26.37	621.2	13.96	18.57	12.56	31.75
1980	16.25	419.3	13.36	22.23	9.77	21.79
1981	11.49	139.5	10.26	17.56	5.28	19.89
1982	15.82	164.5	9.98	19.63	4.03	29.83
1983	20.16	274.0	12.10	23.98	3.70	49.77

Composition of Total Energy Output

Year	Total energy output (in terms of standard fuel, 10,000 tons)	Percentage of total energy output			
		Coal	Crude oil	Natural gas	Hydropower
1949	2,374	96.3	0.7	...	3.0
1950	3,174	96.8	0.9	...	2.3
1951	3,903	97.0	1.1	...	1.9
1952	4,871	96.7	1.3	...	2.0
1953	5,192	96.3	1.7	...	2.0
1954	6,262	95.8	1.8	...	2.4
1955	7,295	95.9	1.9	...	2.2
1956	8,242	95.3	2.0	...	2.7
1957	9,861	94.9	2.1	0.1	2.9
1958	19,845	97.1	1.6	0.1	1.2
1959	27,161	97.0	2.0	0.1	0.9
1960	29,637	95.6	2.5	0.5	1.4
1961	21,224	93.5	3.6	0.9	2.0
1962	17,185	91.4	4.8	0.9	2.9
1963	17,009	91.1	5.4	0.8	2.7
1964	17,232	89.1	7.0	0.8	3.1
1965	18,824	88.0	8.6	0.8	2.6
1966	20,833	86.4	10.0	0.8	2.8
1967	17,494	84.1	11.3	1.1	3.5
1968	18,715	83.9	12.2	1.0	2.9
1969	23,104	82.2	13.5	1.1	3.2
1970	30,990	81.6	14.1	1.2	3.1
1971	35,289	79.3	16.0	1.4	3.3
1972	37,785	77.5	17.3	1.7	3.5
1973	40,013	74.4	19.2	2.0	4.4
1974	41,626	70.8	22.3	2.4	4.5
1975	48,754	70.6	22.6	2.4	4.4
1976	50,340	68.5	24.7	2.7	4.1
1977	56,396	69.6	23.7	2.9	3.8
1978	62,770	70.3	23.7	2.9	3.1
1979	64,562	70.2	23.5	3.0	3.3
1980	63,721	69.4	23.8	3.0	3.8
1981	63,223	70.2	22.9	2.7	4.2
1982	66,772	71.2	21.9	2.4	4.5
1983	71,263	71.6	21.3	2.3	4.8

Notes:
1. This table does not include the use of bioenergy, solar energy, geothermal heat, and atomic energy.
2. All fuels are given in terms of standard fuel, that is, 7,000 kilocalories for 1 kg of fuel; each kilogram of coal produces an average of 5,000 kilocalories, and is equivalent to 0.714 kg; each kilogram of crude oil produces 10,000 kilocalories, equivalent to 1.43 kg; and each cubic meter of natural gas produces 9,310 kilocalories, equivalent to 1.33 kg of standard fuel. The calculation of hydroelectricity is based on the consumption of standard fuel for thermoelectricity.

Output of Major Industrial Products Compared With Highest Annual Output Before Liberation

Product name	Unit	Best year before liberation		Percentage of output in best year before liberation		
		Year	Output	1949	1952	1983
Yarn	10,000 tons	1933	44.5	73.5	147.4	734.[illegible]
Fabrics	100 million meters	1936	27.9	67.7	137.3	533.3
Matches	100 pieces	1937	860	78.1	105.9	325.0
Salt	10,000 tons	1943	392	76.3	126.3	411.5
Sugar	"	1936	41	48.8	109.8	919.5
Cigarettes	10,000 cases	1947	236	67.8	112.3	821.2
Coal	10,000 tons	1942	0.62	51.6	106.5	1,153.2
Crude oil	"	1943	32	37.5	137.5	33,146.9
Power generation	100 million kwh	1941	60	71.7	121.7	5,856.7
Steel	10,000 tons	1943	92.3	17.1	146.3	4,336.0
Pig iron	"	1943	180	13.9	107.2	2.076.7
Cement	"	1942	229	28.8	124.9	4.727.1
Plate glass	10,000 standard cases	1941	129	83.7	165.1	3.230.2
Sulphuric acid	10,000 tons	1942	18.0	22.2	105.6	4.831.1
Soda ash	"	1940	10.3	85.4	186.4	1.740.8
Caustic soda	"	1941	1.2	125.0	658.3	17.691.7
Metal cutter	10,000 sets	1941	0.54	29.6	253.7	2.240.7

Industrial Distribution Between Coastal and Interior Regions

1. Number of Enterprises and Units, Fixed Assets, Number of Workers, GVIO

	Absolute number		Increase in 1983 over 1952 (percent)	Percentage of national industry	
	1983	1952		1983	1952
Number of industrial enterprises and units in entire country (10,000)	39.25	16.95 •	131.6	100	100
Coast	18.03	8.53 •	111.4	45.9	50.3
Interior	21.22	8.42 •	152.0	54.1	49.7
Original value of industrial fixed assets in entire country (100 million yuan)	4,767.8	148.8	31 fold	100	100
Coast	2,059.7	107.1	18.2 fold	43.2	72.0
Interior	2,708.1	41.7	63.9 fold	56.8	28.0
Total number of workers in entire country (10,000)	3,552.6	510.0	6 fold	100	100
Coast	1,666.7	308.6	4.4 fold	46.9	60.5
Interior	1,885.9	201.4	8.4 fold	53.1	39.5
GVIO (100 million yuan)	6,164.4	343.3	22.4 fold	100	100
Coast	3,667.5	238.1	19.1 fold	59.5	69.4
Interior	2,496.9	105.2	29.9 fold	40.5	30.6

[continued]

[Continuation of previous table]

2. Output of Major Products (in different trades)

	Absolute number		Increase of 1983 over 1952 (percent)	Percentage of national industry	
	1983	1952		1983	1952
National coal output (10,000 tons)	71.453.2	6,649.2	9.7 fold	100	100
Coast	18,768.5	2,926.7	5.4 fold	26.3	44.0
Interior	52,684.7	3,722.5	13.2 fold	73.7	56.0
National power-generation (100 million kwh)	3,514.4	72.6	47.4 fold	100	100
Coast	1,730.5	46.2	36.5 fold	49.2	63.6
Interior	1,783.9	26.4	66.6 fold	50.8	36.4
National chemical fertilizer output (10,000 tons)	1,378.85	3.87	355.3 fold	100	100
Coast	623.54	3.87	160.1 fold	45.2	100
Interior	755.31			54.8	
National cement output (10,000 tons)	10,825.2	286.1	36.8 fold	100	100
Coast	5,471.8	226.9	23.1 fold	50.5	79.3
Interior	5,353.4	59.2	89.4 fold	49.5	20.7
Output value of machine-building industry in country (100 million yuan)	1,440.5	39.0	68.4 fold	100	100
Coast	904.9	29.6	56.5 fold	62.8	75.9
Interior	535.6	9.4	106.1 fold	37.2	24.1
National yarn output (10,000 tons)	327.0	65.6	4.0 fold	100	100
Coast	189.3	53.8	2.5 fold	57.9	82.0
Interior	137.7	11.8	10.7 fold	42.1	18.0
National light industrial output value	3,059.7	221.1	15.5 fold	100	100
Coast	1,967.6	158.1	13.8 fold	64.3	71.5
Interior	1,092.1	63.0	19.6 fold	35.7	28.5

Notes: 1. *indicates 1957 figures.

2. The industrial fixed-asset value and the number of workers belong to state-owned industrial enterprises with independent accounting.

3. GVIO and output value of machine-building industry and light industry for 1952 are based on constant prices of the same year, and that for 1983 on constant prices of 1980. Rates of increase are based on comparable prices.

Major Proportionate Relationships in Industry

Unit: Percent

	1952	1957	1965	1970	1975	1978	1980	1981	1982	1983
Proportion of GVIO in GVIAO	41.5	56.5(56.7)	70.3	77.2	71.5	74.4	75.2	74.9(68.6)	68.0	68.1
Proportion of gross value of light industry output in GVIO	64.4	51.7(53.1)	50.4	43.4	43.3	42.7	47.0	51.5(51.4)	50.5	49.6
Proportion of output value of light industry products made of agricultural raw materials in gross value of light industry output	87.5	81.6(83.2)	71.7	70.0	70.1	63.4	68.5	68.5(71.0)	70.1	69.4
Proportion of output value of light industry products made of industrial raw materials in gross value of light industry output	12.5	18.4(16.8)	28.3	30.0	29.9	31.6	31.5	31.5(29.0)	29.9	30.6
Proportion of heavy industry in GVIO	35.6	48.3(46.9)	49.6	56.6	56.7	57.3	53.0	48.5(48.6)	49.5	50.4
Proportion of extraction and tunneling industry in heavy industry	15.3	13.1(14.6)	11.1	8.5	12.1	12.0	11.3	11.7(15.2)	14.3	13.1
Proportion of raw materials industry in heavy industry	42.8	39.5(39.7)	39.7	38.0	35.1	35.5	37.8	39.3(40.6)	39.3	38.3
Proportion of manufacturing industry in heavy industry	41.9	47.4(45.7)	49.2	53.5	52.8	52.5	50.9	49.0(44.2)	46.4	48.6

Note: Figures for 1952 and 1957 are based on 1952 constant prices; 1957 figures, in parentheses, and 1965 and 1970 figures are based on 1957 constant prices; figures for 1975, 1978, 1980, and 1981 are based on 1970 constant prices; 1981 figures, in parentheses, and figures for 1982 and 1983 are based on 1980 constant prices (same applies in following table).

Major Technical and Economic Indices of Key Industrial Enterprises

Index names (Unit)	1978	1983
Overall consumption of electricity in coal production (kwh/ton)	31.45	36.35
Ash content in commodity coal (percent)	22.91	20.31
Efficiency of coal-mining force (ton/worker)	0.931	0.891
Overall electricity consumption in crude oil (gas) production (kwh/ton)	35.01	56.54
Proportion of petroleum products with up-to-standard quality (percent)	99.99	100
Efficiency of crude oil mining force (ton/worker·year)	267.2	196
Average number of hours of power generating equipment utilization (over 500 kw) (hour)	5,149	5,101
Standard coal consumed in power generation (gram/kwh)	434	400
Actual labor productivity in power generation (10,000 kwh/person·year)	52.69	132.0
Fuel consumption for each ton of pig iron (comprehensive coke ratio) (kg)	623	575
Coefficient of blast furnace utilization (ton/m^3·day-night)	1,429	1,591
Coefficient of open hearth utilization (" " ")	8.22	8.90
Actual labor productivity in steel smelting with open hearth (ton/worker·year)	497	534
Coke and anthracite consumption for each ton of synthetic ammonia (kg)	1,448	1,301
Sulphuric acid (100 percent) catalyst volume utilization coefficient (ton/m^3·day)	3.63	3.53
Actual labor productivity in sulphuric acid production (ton/worker·year)	762	743
Standard coal consumption for each ton of cement clinker (kg)	211.2	206.0
Labor productivity in cement production (ton/worker·year)	245	252
Power consumption for each ton of cotton yarn (mixed) (kwh)	1,750	1,894
Proportion of above-first-grade cotton yarn (percent)	96.70	98.77
Proportion of first-grade cotton fabric in stock (percent)	92.70	95.52
Actual productivity of cotton yarn workers (piece/worker)	0.189	0.177
Timber consumption for each ton of chemical pulp of original color (cubic meter)	4.9	4.6
Proportion of finished products in machinemade paper and paper cardboard (percent)	89.3	91.7
Actual labor productivity of machinemade paper and cardboard workers (ton/worker·year)	14.30	15.70

Indices of Major Economic Results of State-Owned Industrial Enterprises With Independent Accounting

Unit: Yuan

Year	Profit realized per 100 yuan of fixed assets	Profit and tax realized per 100 yuan	Profit and tax realized by net value of each 100 yuan of fixed assets	Profit realized per 100 yuan of industrial output value	Output value realized by the original value of 100 yuan in fixed assets	Circulating funds used for each 100 yuan of output value
1952	19.0	25.5	37.1	14.2	134	23.1
1957	23.8	34.8	48.0	17.1	139	19.4
1962	8.9	15.1	20.5	12.5	71	38.7
1965	20.9	29.8	39.8	21.3	98	25.5
1970	21.3	30.6	45.7	18.2	117	29.9
1975	15.0	22.7	34.0	14.2	105	33.4
1976	12.1	19.3	29.0	12.6	96	36.9
1978	15.9	24.2	35.5	15.5	103	32.0
1980	15.7	24.8	35.9	15.5	101	30.1
1981	14.4	23.8	34.1	15.0	96	30.2
1982	13.7	23.5	33.4	14.4	95	29.7
1983	13.4	23.2	32.7	14.1	95	28.5

Note: With the exception of 1982 and 1983 when the output value is based on 1980 constant prices, the output value of all the other years is based on 1970 constant prices.

Chapter 7. Continued Development of Transportation, Posts and Telecommunications

In the past 30 and more years, China's transportation, posts and telecommunications have undergone considerable development. Now it has built up an initially comprehensive network which includes different modes of transport with railway transport, sea transport, and the navigation on the Chang Jiang playing the key roles, and a communications network of posts and telecommunications in various forms.

Transportation, posts and telecommunications technologies were backward and their development was slow in China. The operational mileage of all railways in the country was only 21,800 km and most of them operated on single tracks. The mileage of highways open to traffic was 80,700 km and 60 percent of it was not surfaced. Inland river navigation routes totaled 73,600 km. Rickshaws, animal-drawn carts, and wooden sailboats undertook about 60 percent of the national freight traffic. The capacity of posts and telecommunications was also very small. After liberation, along with large-scale economic construction and technical development, our transportation, posts and telecommunications also underwent important changes.

Increased length of Transportation Routes

At the end of 1983, the total operational mileage of railways in the country was 51,600 km, nearly 30,000 km more than at the end of 1949 and exceeding the sum total of the railways built in old China in more than 70 years. Henan, Hebei, Guangxi, and Guangdong have even built more than 3,000 km of railways under local management. At the end of 1983, the highways in the country totaled 915,100 km, a 10.3-fold increase over the end of 1949 at an average increase of 24,500 km each year. Pipelines for oil and gas were built from scratch, and at the end of 1983, they totaled 10,855 km, of which, 5,755 km was for crude oil, 833 km for refined oil, and 4,267 km for natural gas. At the end of 1983, the air routes of civil aviation totaled 229,100 km (not counting the overlapping portions), of which 118,800 km were for 169 domestic routes; 10,368 km for 7 routes between the hinterland and Hong Kong; and 99,947 km for 21 international routes. The mileage of inland river navigation routes at the end of 1983, however, was only 108,900 km, 35,300 km more than at the end of 1949, because the principle of comprehensive utilization was not properly implemented.

The quality of transportation routes has improved. Since liberation, double tracks have been laid for the Jing-Fu, Jing-Guang, Jing-Shan, Longhai, and Shi-Tai railways. There are now 9,182 km of double-track railways, 17.8 percent of the operational mileage in the country. The total length of railways with automatic block systems amounts to 13.8 percent of the total operational mileage. Highway surface conditions have also been improved, and the proportion of unsurfaced highways in the country has been reduced to 22.9 percent.

Layout of Transportation Network Gradually Becomes Rational

In old China, the facilities for transportation, posts and telecommunications were mostly concentrated in the coastal regions, while the southwest and northwest regions which account for 56 percent of the national territory had only 4 percent of the railway mileage and 23 percent of the highway mileage in the country. Communication was inconvenient and the economy was backward in these regions. After 30 and more years, there has been a distinct change in the layout of the transportation network. In the southwest and northwest, eight trunk railways including the Baoji-Chengdu, Baotou-Lanzhou, and Sichuan-Guizhou railways have been built, and highways have stretched across Xizang Plateau, known as the "roof of the world," and the Tianshan ranges. The proportion of railway and highway mileages in these two regions have risen to 24.9 percent and 32.1 percent, respectively, of the national totals. With the exception of Derong County in Sichuan and Medog County in Xizang, all the counties in the country are now accessible by motor vehicles. This is of great significance to the economic, cultural, and educational developments in the minority regions, the exploitation of the frontier regions, and national defense.

Conditions are very good for water transport in China. There is more than 18,000 km of coastline and more than 400,000 km of rivers. The vast majority of harbors and rivers are free from icing throughout the year and are therefore suitable for the development of navigation. Before liberation, however, ships were very scarce, harbor facilities were obsolete, and transportation efficiency was very low. Now the number of steamers and barges in the inland rivers and along the coast has been increased tens of times and an ocean transport fleet has been organized. This fleet is now sailing to more than 400 ports in more than 100 countries and regions in the world, and has become the mainstay of our foreign trade transportation. There has also been fairly extensive harbor development. In the early 1950's, there were only some 230 wharves. Since the 1960's, we have gradually built or expanded a number of special wharves for coal, crude oil, bulk cargo, general cargo, and containers. At the end of 1983, there were altogether 460 berths in the major harbors along the coast, and 153 of them are suitable for 10,000-ton ships.

Continued Increase in Traffic, Higher Proportion of Modernized Transportation

In 1983, a total of 2.54 billion tons of cargo were transported. This amount was 14-fold higher than in 1949, at an average rate of increase of 8.7 percent a year. Of this amount, 1,187,840,000 tons were transported on railways at an average growth rate of 9.4 percent a year; 790.78 million tons were on highways at an average rate of increase of 7 percent a year; 450.58 million tons were transported in water at an average growth rate of 8.8 percent a year; and 116,000 tons were transported by civil aviation at an average growth rate of 4.7 percent a year. Pipeline is a new mode of transport; yet in 1983, the volume of traffic by pipelines already reached 116.2 million tons. Modernized transportation has developed fairly rapidly. In 1983, the proportion of modernized transportation, in terms of traffic volume, rose to 96 percent. The development of transportation and the higher proportion of modernized transportation have strongly supported the development of industrial and agricultural production as well as the national economy.

Passenger transportation has also developed fairly rapidly. At the end of 1983, the number of railway passenger cars and that of passenger buses owned by the highway transport departments were increased 3.7-fold and 19-fold, respectively. In 1983, 4.7 billion passengers were carried by various means of transportation, a 33-fold increase over 1949 at an average increase rate of 11 percent a year. Because of the flourishing markets in both urban and rural areas, the increased volumes of transportation and sales, the improved living conditions of the people, and the rapid development of tourism in the past several years in particular, the demand for passenger transportation has sharply increased. The railway transport departments have increased passenger traffic capacity by adding more passenger cars to the trains on some major trunklines, while the highway departments tried every way to open new routes of operation so that whenever the strain on the railways' capacity for passenger and freight is heavy, part of the traffic could be diverted to highways. Scheduled buses also operated on a transprovincial scale and more buses remained overnight in the countryside for the convenience of the peasants who wanted to enter the cities.

Improved Economic Results for Transportation Sector

In the past 30 and more years, the utilization of various means of transportation on land and in water has shown markedly improved results. The average daily cargo traffic handled by a railway locomotive was increased from 300,000 ton-km in the early post-liberation period to 730,000 ton-km in 1983. Of the total number of railway locomotives, diesel and electric locomotives amounted to 27.3 percent. Railway cars are gradually becoming larger. At the end of 1983, the number of freight cars with a capacity of more than 50 tons amounted to 88.2 percent of the total number, and the average net weight of a freight car was 49.9 tons, an increase of 87.6 percent over 1949. The highway transport departments actively developed the use of trailers and strengthened their organization of transportation. In 1983, each truck handled a traffic volume of 38,345 ton-km each year, nearly 5-fold that of the early post-liberation period. Container transportation developed fairly rapidly in the past several years, and nearly 200 railway stations have begun to offer this service. In ocean transport, more than 10 container transportation routes have been opened to Japan, the United States, Australia, and Hong Kong. The departments in charge of transportation in the coastal seas, inland rivers, highways, and civil aviation have also opened new routes for container transportation, much to the convenience of cargo owners. This mode of transportation can help reduce wear and tear en route and save transportation expenses.

Passenger trains have all along maintained a fairly high rate of on-time departures and arrivals. In 1983, passenger trains ran at an average technical speed of 54.1 km per hour, a 55 percent increase over the 34.9 km of 1949, while an express train from Beijing to Shanghai took only 19 hours. Fuel consumption by all means of transportation has been gradually reduced. In 1983, a steam locomotive consumed 104.7 km of coal, a reduction of 46.3 percent below 1952. In the same year, each truck owned by a local transportation department consumed 8 liters of gasoline for every 100 ton-km, and this has been a fairly good record since 1960. Because of the improvement of technical equipment, the adoption of new technology, and the efforts of workers, labor productivity has continued to rise. In 1983, compared with 1952, the productivity of railway workers rose 1.8-fold and that of longshoremen in the ports directly under the Ministry of Communications trebled.

Rapid Development in Posts and Telecommunications

At the end of 1983, there were more than 50,000 posts and telecommunications offices, a 90.9 percent increase over 1949, while the length of telecommunications routes totaled 4.72 million km, 5.7-fold longer than the 700,000 km of 1949. Mechanized or semimechanized sorting has been introduced for parcels in some cities. At the end of 1983, there were 9,467 telegraph circuits and 28,637 long-distance telephone circuits, an increase of 2.1-fold and 8.9-fold, respectively. The number of urban telephones reached 1.69 million and that of rural telephones, 820,000, an increase of 6.8-fold and 13-fold, respectively. A microwave transmission network is now being used for domestic long-distance telephone service. On some circuits connecting Beijing with more than 20 cities, automatic or semiautomatic dialing systems have been installed.

In more than 30 years, the volume of work in various branches of the posts and telecommunications system has increased by a wide margin. In 1983, compared with 1949, the number of letters increased 4.9-fold; parcels, 24-fold; telegrams, 15-fold; long-distance calls, 28-fold; and newspapers and periodicals, 75-fold. In addition, new services of data communication, telex, subscriber facsimile, and international express mail have been introduced.

The posts and telecommunications departments have done a great deal of work to improve their services. The proportion of provincial cities where RENMIN RIBAO can be read on the day of publication, and that of cities and counties where the provincial newspapers can be read on the day of publication, have been raised to 72.4 percent and 41.5 percent, respectively; 99.5 percent and 94.9 percent of all townships (or communes) have postal and telephone services, respectively.

International communications have developed rapidly in recent years. China now has direct telecommunications circuits with more than 40 countries and regions, and direct postal contacts with more than 100 of them. It also has earth satellite stations, and through the Intelsat satellites over the Indian and Pacific Oceans, can carry on satellite communications with other countries in the world.

After more than 30 years of construction, China's transportation, posts and telecommunications are now fairly advanced. However, the facilities and technical management are still inadequate for the four modernizations and remain a weak link in the national economic development. Sometimes cargoes are piled up awaiting transportation, the means of passenger transportation are overcrowded, foreign trade ships have to stay in harbors for a long time, and communications facilities are small in quantity and poor in quality.

The 12th CPC Congress has listed transportation, posts and telecommunications as one of the strategic priorities. Implementation of this strategic policy should gradually alleviate the present pressure on these facilities.

Mileage of Various Transportation Routes (Yearend figures)

Unit: 10,000 km

Year	Railway operational mileage		Highway mileage	Inland rivers	Civil airlines		Pipeline for oil (gas)
	Total	including electrified mileage			Total	International routes	
1949	2.18		8.07	7.36			
1950	2.22		9.96	7.36	1.14	0.51	
1951	2.23		11.44	7.36	1.05	0.51	
1952	2.29		12.67	9.50	1.31	0.51	
1953	2.38		13.71	9.50	1.40	0.50	
1954	2.45		14.61	9.50	1.52	0.50	
1955	2.56		16.73	9.99	1.55	0.26	
1956	2.65		22.63	10.36	1.91	0.48	
1957	2.67		25.46	14.41	2.64	0.43	
1958	3.02		42.18	15.20	3.30	0.44	0.01
1959	3.23		50.79	16.30	3.72	0.53	0.01
1960	3.39		51.00	17.00	3.81	0.53	0.01
1961	3.45	0.01	47.70	17.20	3.91	0.45	0.01
1962	3.46	0.01	46.35	16.19	3.53	0.44	0.01
1963	3.50	0.01	47.51	15.72	3.57	0.44	0.03
1964	3.53	0.01	47.92	15.69	3.85	0.45	0.03
1965	3.64	0.01	51.45	15.77	3.94	0.45	0.04
1966	3.78	0.01	54.36	14.72	3.50	0.44	0.07
1967	3.86	0.01	55.75	14.78	3.51	0.44	0.08
1968	3.88	0.01	57.17	14.78	3.94	0.44	0.09
1969	3.93	0.02	60.06	14.81	3.93	0.44	0.10
1970	4.10	0.03	63.67	14.84	4.06	0.44	0.12
1971	4.28	0.03	67.54	14.16	4.21	0.44	0.20
1972	4.39	0.04	69.99	14.06	4.25	0.44	0.23
1973	4.43	0.06	71.56	13.88	4.54	0.44	0.34
1974	4.51	0.06	73.79	13.74	8.13	3.71	0.43
1975	4.60	0.07	78.36	13.56	8.42	3.71	0.53
1976	4.63	0.07	82.34	13.74	9.78	4.09	0.63
1977	4.74	0.10	85.56	13.74	13.21	4.09	0.67
1978	4.86	0.10	89.02	13.60	14.89	5.53	0.83
1979	4.98	0.10	87.58	10.78	16.00	5.13	0.91
1980	4.99	0.17	88.83	10.85	19.17	8.12	0.87
1981	5.02	0.17	89.75	10.87	21.82	8.28	0.97
1982	5.05	0.18	90.70	10.86	23.27	9.90	1.04
1983	5.16	0.23	91.51	10.89	22.91	9.99	1.09

Volume of Passenger Traffic

Unit: 10,000 persons

Year	Total passenger traffic	Railway	Highway	Water transport	Civil aviation
1949	13,695	10,297	1,809	1,562	27
1950	20,370	15,691	2,301	2,377	1
1951	22,334	16,037	3,350	2,945	2
1952	24.518	16,352	4,559	3,605	2
1953	35,627	22,861	7,439	5,324	3
1954	37,465	23,290	8,648	5,523	4
1955	36,764	20,801	10,312	5,646	5
1956	50,621	25,211	18,224	7,177	9
1957	63,821	31,262	23,772	8.780	7
1958	75.136	34,569	31,063	9.492	12
1959	91,183	47,972	32,569	10,626	16
1960	106.700	61.822	32,524	12,333	21
1961	119,835	77,062	27.601	15,152	20
1962	122.154	75.003	30,737	16.397	17
1963	97,538	51,985	32,857	12,678	18
1964	94,300	45,085	37,313	11,878	24
1965	96.334	41,245	43,693	11,369	27
1966	108.656	41,413	54,437	12,780	26
1967	114,067	46,614	53,874	13,548	31
1968	111,182	49.994	47,125	14,038	25
1969	123,859	52,040	56,266	15.531	22
1970	130,056	52,455	61,812	15,767	22
1971	142.931	56,032	71,227	15,638	34
1972	160,828	62,809	80,676	17,297	46
1973	174,805	65.704	89.771	19,270	60
1974	182,146	66,924	95,481	19,647	94
1975	192,969	70,465	101.350	21,015	139
1976	201,411	71,249	108,718	21.298	146
1977	225,035	79,471	122,919	22,452	193
1978	253,993	81.491	149,229	23,042	231
1979	289,666	86,390	178,618	24,360	298
1980	341,785	92,204	222.799	26,439	343
1981	384,844	95,300	261,559	27,584	401
1982	428,963	99,921	300,610	27,987	445
1983	470,614	106.044	336.965	27,214	391

Note: Figures for passenger traffic in this table include passengers on railways run by both the central government and the localities. Highway traffic is handled by highway department vehicles specially intended for this purpose.

Passenger Turnover Volume

Unit: 100 million passenger-km

Year	Total passenger turnover volume	Railway	Highway	Water transport	Civil aviation
1949	155.0	130	8.0	15.2	1.8
1950	239.6	212	12.8	14.7	0.1
1951	269.0	230	17.2	21.7	0.2
1952	248.4	201	22.7	24.5	0.2
1953	350.2	282	33.8	34.1	0.3
1954	371.2	295	41.3	34.4	0.5
1955	353.1	267	50.3	35.2	0.6
1956	465.5	344	78.2	42.3	1.0
1957	496.3	361	88.1	46.4	0.8
1958	572.0	409	116.1	45.8	1.1
1959	711.4	517	139.7	53.4	1.3
1960	883.5	674	146.0	61.9	1.6
1961	1,105.7	896	128.8	79.5	1.4
1962	1,085.6	859	141.5	83.9	1.2
1963	726.5	532	134.3	58.8	1.4
1964	685.6	486	146.3	51.3	2.0
1965	697.1	479	168.2	47.4	2.5
1966	778.7	505	207.5	64.2	2.0
1967	864.4	596	200.0	66.0	2.4
1968	936.7	681	185.8	67.8	2.1
1969	1,070.6	772	222.2	74.7	1.7
1970	1,030.9	718	240.1	71.0	1.8
1971	1,106.5	762	268.1	73.4	3.0
1972	1,235.8	852	302.5	77.1	4.2
1973	1,325.6	903	333.3	83.6	5.7
1974	1,376.1	926	354.9	86.9	8.3
1975	1,435.5	955	374.5	90.6	15.4
1976	1,470	957	403	94	16
1977	1,587	1,023	448	98	18
1978	1,743	1,093	521	101	28
1979	1,968	1,216	603	114	35
1980	2,281	1,383	729	129	40
1981	2,500	1,473	839	138	50
1982	2,744	1,575	964	145	60
1983	3,095	1,776	1,106	154	59

Volume of Freight Transportation

Unit: 10,000 tons

Year	Total volume of freight transportation	Railway	Highway	Water transport		Pipeline for oil (gas)	Civil aviation
				Total	including ocean-going		
1949	16,097	5,589	7,963	2,543			2.4
1950	21,554	9,983	8,887	2,684			0.1
1951	25,331	11,083	10,388	3,860	8		0.2
1952	31,516	13,217	13,158	5,141	14		0.2
1953	43,416	16,131	20,048	7,237	20		0.4
1954	52,142	19,288	22,690	10,163	28		0.5
1955	56,891	19,376	25,799	11,715	46		0.5
1956	75,027	24,605	36,695	13,726	69		0.8
1957	80,365	27,421	37,505	15,438	60		0.8
1958	112,292	38,109	53,085	21,096	50		1.5
1959	149,916	54,410	66,932	28,571	65		2.6
1960	170,563	67,219	70,786	32,555	75		3.2
1961	110,573	44,988	43,038	22,544	85		2.9
1962	85,521	35,261	32,794	17,464	79		1.8
1963	88,154	36,418	34,602	17,132	88		2.1
1964	104,320	41,786	42,358	20,174	151		2.2
1965	121,083	49,100	48,987	22,993	246		2.7
1966	131,454	54,951	52,531	23,969	272		3.3
1967	110,833	43,089	47,066	20,674	238		3.9
1968	103,240	42,095	42,166	18,976	264		3.0
1969	123,923	53,120	49,115	21,685	345		3.3
1970	150,359	68,132	56,779	25,444	499		3.7
1971	168,132	76,471	63,080	28,398	783	180	3.3
1972	177,550	80,873	65,409	30,174	972	1,091	3.0
1973	185,185	83,111	68,489	32,159	1,270	1,421	2.8
1974	179,332	78,772	66,860	31,535	1,741	2,161	3.5
1975	202,478	88,955	72,499	34,987	2,424	6,032	4.7
1976	201,757	84,066	74,256	35,528	2,382	7,902	5.3
1977	223,915	95,309	80,833	38,861	2,553	8,907	5.3
1978	248,946	110,119	85,182	43,292	3,659	10,347	6.4
1979	248,028	111,893	81,556	43,229	4,249	11,342	8.0
1980	240,506	111,279	76,017	42,676	4,292	10,525	8.9
1981	231,605	107,673	71,504	41,490	4,530	10,929	9.4
1982	247,507	113,532	78,777	44,329	4,606	10,859	10.2
1983	254,551	118,784	79,078	45,058	4,759	11,620	11.6

Note: Transportation of natural gas by pipeline is calculated by converting each 1,000 cubic meters into 1 ton.

Volume of Freight Turnover

Unit: 100 million ton-km

Year	Total turnover	Railway	Highway	Water transport Total	Water transport Including: Ocean-going	Pipeline for transporting oil (gas)	Civil aviation
1949	255	184	8	63			0.2
1950	454	394	9	51			
1951	631	516	11	104	17		
1952	762	602	14	146	28		
1953	990	781	23	186	41		
1954	1,203	932	29	242	37		0.1
1955	1,320	982	34	304	70		0.1
1956	1,591	1,204	44	343	66		0.1
1957	1,810	1,346	48	416	77		0.1
1958	2,449	1,855	77	517	75		0.1
1959	3,272	2,476	107	689	96		0.2
1960	3,667	2,767	132	768	118		0.3
1961	2,627	2,008	76	543	117		0.2
1962	2,236	1,721	62	453	113		0.2
1963	2,348	1,816	64	468	131		0.2
1964	2,750	2,126	74	550	181		0.2
1965	3,463	2,698	95	670	237		0.3
1966	3,901	3,019	116	766	280		0.3
1967	3,050	2,269	101	680	264		0.4
1968	3,109	2,239	84	786	355		0.3
1969	3,753	2,783	110	860	365		0.3
1970	4,565	3,496	138	931	419		0.4
1971	5,205	3,766	154	1,276	707	9	0.3
1972	5,644	3,913	164	1,510	901	57	0.3
1973	6,294	4,082	176	1,949	1,277	87	0.3
1974	6,314	3,813	175	2,163	1,471	163	0.4
1975	7,297	4,256	203	2,575	1,757	262	0.6
1976	6,904	3,869	210	2,467	1,812	357	0.7
1977	7,969	4,568	251	2,762	1,741	387	0.8
1978	9,829	5,345	274	3,779	2,487	430	1.0
1979	10,907 (11,384)	5,598	268 (745)	4,564	3,174	476	1.2
1980	11,517 (12,026)	5,717	255 (764)	5,053	3,532	491	1.4
1981	11,616 (12,143)	5,712	253 (780)	5,150	3,643	499	1.7
1982	12,403 (13,049)	6,120	303 (949)	5,477	3,769	501	2.0
1983	13,295 (14,044)	6,646	335 (1,084)	5,788	3,977	524	2.3

Note: The highway figures in parentheses for 1979-1983 include the freight turnover undertaken by vehicles owned by society.

Volume of Cargo Handled at Major Seaports

Unit: 10,000 tons

Seaports	1952	1957	1965	1978	1983
Total	1,440	3,727	7,181	19,834	24,952
Dalian	151	588	1,057	2,864	3.520
Yingkou	18	32	29	33	34
Qinhuangdao	181	283	478	2,219	3,057
Tianjin	74	284	549	1,131	1,506
Yantai	26	48	98	458	650
Qingdao	175	221	448	2,002	2,183
Lianyungang	46	105	265	594	858
Shanghai	656	1,649	3.194	7,955	9,190
Ningbo					483
Shantou	35	130	181	153	210
Huangpu	47	186	470	1,050	1,601
Zhanjiang	12	79	220	947	1,140
Haikou	16	35	64	76	109
Basuo		11	99	307	372
Sanya	3	76	29	45	39

Postal and Telecommunications Network (Yearend figures)

Year	Office and sub-office (10,000)		Length of postal routes (10,000 km)		Long-distance telephones circuits (units)	Telegraph circuits (units)
	Total	including In rural areas	Total	including Airmail routes		
1949	2.63		70.60	0.14		
1950	3.70		86.31	0.88	2,881	3,007
1951	4.38		110.74	0.79	3,162	3,683
1952	4.95		128.97	1.03	3,777	4,460
1953	5.16		151.47	1.13	4,979	5,448
1954	4.82		164.00	1.19	5.484	6,260
1955	4.38		173.94	1.41		
1956	4.47	3.77	181.13	3.22	4,356	4,745
1957	4.54	3.83	222.26	3.94	4,684	4,964
1958	6.07	5.19	301.29	4.02	7,622	5,224
1959	5.86	5.14	420.61	4.30	7,601	5,305
1960	6.17	5.42	408.51	4.22	9,044	6,210
1961	5.18	4.57	318.80	4.44	9,451	5,663
1962	4.45	3.91	266.54	4.36	9,380	5,973
1963	4.40	3.86	286.55	4.46	9.286	6,160
1964	4.37	3.82	306.47	5.15	9.434	6,519
1965	4.38	3.85	349.28	5.25	9,913	7,010
1966	4.48	3.91	368.06	5.30	10,549	7.123
1967	4.51	3.94	367.31	5.30	10,717	6,961
1968	4.46	3.88	366.23	5.30	10,853	6,684
1969	4.46	3.88	371.32	5.79	11,188	6.440
1970	4.50	3.91	397.71	6.53	11,696	6,553
1971	4.59	3.97	428.80	7.13	12,680	6,823
1972	4.62	3.97	448.58	7.89	13,585	7,078
1973	4.85	4.19	451.14	8.18	14,208	7.498
1974	4.83	4.18	464.09	9.39	15,028	7.687
1975	4.87	4.21	479.63	13.68	15,981	7.877
1976	4.89	4.27	483.60	12.82	17,072	8.223
1977	4.96	4.33	486.02	14.54	17,810	8,403
1978	4.96	4.31	486.33	14.65	18,801	8,430
1979	4.96	4.30	481.23	16.16	20,307	8,785
1980	4.95	4.28	473.71	16.33	22,011	9.146
1981	4.96	4.26	466.02	15.85	23,909	8,808
1982	4.97	4.26	467.63	16.19	25,961	9.178
1983	5.02	4.27	472.09	15.55	28,637	9.467

Postal and Telecommunications Business Volume

Year	Total volume (100 million yuan)	Letters (100 million)	Newspapers and magazines (10,000)	Telegrams (10,000)	Long-distance calls (10,000)	Urban telephones (10,000 households)	Rural telephones (10,000 households)
1949	0.97	5.99		1,129	902	21.77	
1952	1.64	8.09	1,363	1,204	1,628	29.53	5.84
1953	1.98	9.46	1,605	1,668	1.987	33.21	6.87
1954	2.19	10.37	2,087	1,564	2,560	35.61	8.34
1955	2.38	11.50	2,825	1,736	2,606	37.52	10.38
1956	2.98	14.38	3,423	1,919	2,808	44.41	16.99
1957	2.94	16.41	3,264	1,533	2,090	46.45	20.00
1958	4.18	17.34	7,922	3,224	3,896	51.54	39.13
1959	6.22	23.15	5,965	5,740	5,851	59.19	70.12
1960	7.99	28.28	4,009	9,222	8,042	65.93	91.91
1961	7.13	25.55	2,590	8,313	7,700	70.34	91.27
1962	6.38	22.75	2,492	6,891	7.123	69.95	85.26
1963	6.05	20.21	3,455	5,738	7,301	72.16	79.48
1964	6.14	20.00	4,689	5,632	8,200	74.80	46.82
1965	6.28	21.76	5,621	5,277	8,869	77.11	49.22
1966	6.51	22.39	4.385	5,361	8,957	79.95	50.97
1967	6.16	21.69	3.387	5,900	7,631	80.64	51.13
1968	5.73	20.72	2,672	5,500	6.349	75.77	50.15
1969	6.22	22.68	2,793	5.952	7,041	75.77	50.68
1970	6.87	23.70	3,307	6,541	8,570	78.41	52.74
1971	7.65	24.38	4,697	7,651	10,117	81.17	53.94
1972	8.26	25.04	6.285	9.130	12,185	88.40	57.24
1973	8.80	26.85	5.894	9.846	13,795	93.62	60.22
1974	9.07	26.11	6.917	10,317	14,239	97.96	62.49
1975	9.58	27.34	7.823	11,234	15,151	103.28	65.92
1976	10.62	27.79	8,806	11,757	15,756	107.90	68.24
1977	11.14	28.50	8,707	12,619	16,709	112.73	70.65
1978	11.65	28.35	11,250	12,748	18,574	119.15	73.39
1979	12.55	30.80	12.680	13,495	20.587	127.02	76.28
1980	13.34	33.13	16,431	14,663	21,404	134.17	79.90
1981	14.02	33.88	18,124	15,938	22,049	142.64	79.45
1982	20.41	33.94	19,598	16,071	23,574	153.87	80.38
1983	22.26	35.21	22.933	18,075	26.556	168.86	81.90

Note: The total volume of postal and telecommunications business in 1982 and 1983 is calculated according to 1980 constant prices. Those of the previous years are based on 1970 prices. The volume of 1981, based on 1980 constant prices, is 1,952,000,000 yuan.

Chapter 8. Continued Growth of the Construction Industry

The construction industry is a branch of material production with a long history. Since liberation, along with the development of socialism in China, the construction industry has continued to grow and has undertaken many projects with outstanding results.

Continued Expansion of Construction Work Force

In old China, the construction trade was carried on by small construction contractor units or individual laborers of low technical standards. Since liberation, the work force in this trade has continued to expand along with the large-scale economic construction. After the 3d Plenum of the 11th CPC Central Committee, regular workers, contract workers, and temporary workers were employed once again, and a construction work force was formed under a system in which the state economy played the leading role with the coexistence of many other economic forms. In 1983, the workers and staff members in the building industry throughout the country totaled 7.99 million, a 3-fold increase over the number in 1952. Of this number, 4.97 million, 62.2 percent, were in the state sector and 3.02 million, 37.8 percent of the total number, were in the urban collective sector. The rural work force grew rapidly along with the developing rural economy and in 1983, there were altogether 57,000 rural construction teams with 4.83 million workers. It has become a force to be reckoned with in China's countryside.

Personnel in prospecting and design organs also increased very rapidly. Their number was 323,000 in 1983, a 14.4-fold increase over that of 1952.

Marked Improvement in Design and Construction Technology

Before liberation there were only a few prospecting and design personnel and most of them worked in private offices and were not qualified for intricate jobs. Now, more than 3,200 prospecting and design organs, both comprehensive and specialized, have been established in the country with nearly 190,000 technicians in various fields. In designing civilian housing over the past 30 and more years, China adheres to the principle of preserving esthetic taste within the framework of compatibility, economy, and feasibility. In designing factories, mines, and enterprise buildings, the principle of advanced technology and economic rationality is upheld. The standard of designs has continued to rise. In the past, the building industry could not undertake any large and technically complex projects; now it can design and build them independently. Examples of these projects are the large integrated iron and steel enterprises with an annual output of 3 million tons, large coal mines with an annual output of 4 to 5 million tons, and the large coal-dressing factories handling 3 million tons of coal a year. The grand projects that deserve special mention are the Gezhouba hydropower station built after the blocking of a navigation channel in the Chang Jiang; the Chang Jiang Bridge in Nanjing, which is the longest bridge in China and which straddles the river at the lower reaches; the Baoji-Chengdu, Chengdu-Kunming, and Xiangyang-Chongqing railways built in high mountains and steep cliffs; and the Xining-Golmud railway on the Xizang Plateau of extreme complex geological conditions. All these are difficult construction projects. In designing civilian housing, since completing the Beijing People's Great Hall and nine other gigantic structures in the 1950's, the design personnel have in recent years introduced many innovations and designed a rich array of projects, each with its own distinctive features. For example, in the designs for residential housing, there are residential areas with mainly tall buildings of many stories as well as residential areas with many low-lying houses densely grouped together. In the designs for cultural halls, gymnasiums and tourist buildings, the typical ones are those of the China Mining University, the Shanghai Indoor Swimming Pool, the 37-story Jinling Hotel of Nanjing, the 20-story Baitiane Hotel of Guangzhou, the 27-story Xiyuan Hotel of Beijing, the Longpo Hotel of Shanghai, and the Donghu Guest House of Shenzhen. These designs embody both the traditional national features of China and the advanced techniques of foreign architecture, and have received favorable comments at home and abroad.

Continued Consolidation of Technical Equipment in the Construction Industry

In 1983, each of the workers in the construction industry in the state sector had fixed assets of 3,910 yuan in net value, an increase of more than 9-fold over 1952. Each of these workers also had power equipment averaging 7.6 horsepower, an increase of 16-fold over 1953. In the same year, the construction and installation units in the state sector owned 185,000 sets of building machinery of 11 major varieties, including excavators, bulldozers, scrapers, and cranes, 12-fold that of 1956. At present, China has more than 8,000 construction units for building houses and installing machinery and equipment in addition to more than 1,000 specialized companies for building roads, harbors, mines, tunnels, and structures for chemicals, petroleum, metallurgy, forestry, and hydropower industries. It has also made more breakthroughs in construction technology in recent years than in the 1950's. In building houses, for example, it has completed the change from mainly low-lying houses to tall and multistory buildings, and is vigorously developing the new technologies of using large form panels, sliding panels, and prefabricated equipment, and the technique of casting in situ. In building coal shafts, adoption of the deep water-freezing and surface pregrouting methods are used to solve the problems of shifting sands and underground water. In building bridges with rigid frames, thin shells and steel beams, the design, techniques, and construction technology have all approached advanced world standards.

Material and Technical Foundations for National Economic Development

The total output value of China's construction industry continued to increase in the past 30 and more years. From 1953 to 1983, the average annual rate of increase was 7 percent, second highest among the five major sectors of material production after industry. The proportion of its total output value in the total product of society rose from 5.6 percent in 1952 to 9.4 percent in 1983. In the past 30 and more years, the construction industry completed hundreds of thousands of projects for the state and built strong material and technical foundations for the national economic development. This industry also built residential houses for various localities in the country (rural areas not included) with a total floorspace of more than 1.1 billion square meters, and 240,000 school buildings of various types. It also repaired or built more than 100,000 hospitals, movie theaters, cultural halls, libraries, and broadcasting stations, and contributed to the improvement of people's material and cultural lives.

Along with the development of China's economic contacts with foreign countries, the construction industry has also undertaken the glorious task of foreign aid construction. In the 1960's and 1970's, it constructed 950 projects for more than 70 countries and regions. These projects covered light industry, textiles, chemicals, electric power, building materials, communications, agriculture, culture, education, public health, municipal construction, residential housing, and guest houses and were contributions to the development of the national economy of the Third World countries. Before and after 1980, on the basis of foreign economic aid, contracting for construction projects and labor service have also been actively developed. In the past several years, we have signed contracts with more than 50 countries and regions for construction projects and the supply of labor services, and dispatched more than 30,000 workers and staff members abroad on these missions. In 1983, these contracts totaled more than $900 million in value.

Gradual Improvement of Economic Results in the Construction Industry

Economic results of the construction industry have been very poor for a very long time. Besides the drastic ups and downs in the scale of capital construction, which caused serious waste of manpower, money, and materials, the abolition of legitimate rules and regulations has seriously weakened the system of economic accounting in the enterprises and brought a big drop in the indices of economic results and great losses to the enterprises.

After the 3d Plenum of the 11th CPC Central Committee, enterprise reorganization began in the building trade, and various rules and regulations were restored or established. Experiments were also conducted on structural reform, the decisionmaking power of construction and installation enterprises were expanded, the campaign of excellent workmanship was launched, and the system of economic responsibility was popularized. After several years of reorganization and reform, production and operation in the construction industry as well as its economic results have improved.

Labor productivity has also risen. In 1983, the average productivity of each worker in the state-owned building units was 5,148 yuan, a 39-percent increase over 1978.

Quality of work has improved. The proportion of projects completed by state-owned building units and rated as projects of excellent workmanship, rose from about 50 percent in 1978 to 65.9 percent in 1983.

Construction costs have also decreased. From 1979 to 1983, the rate of such decrease was 5 to 7 percent each year, and most enterprises have turned their losses into profits. In 1983, the profits realized by the building enterprises, both state-owned and collectively owned, reached 3.46 billion yuan.

Although fairly good achievements have been in the construction industry, such problems as long construction period, high consumption, serious waste and backward technology are still common because, for a long time, the necessary conditions for independent operation have been lacking. In view of these problems, the state has decided to conduct an all-round reform and to enforce the systems of investment responsibility and public bidding in the construction industry. Along with the in-depth development of the reform, the outlook of this industry will change and its economic results will certainly be fairly greatly improved.

Gross and Net Output Value of the Construction Industry

Year	Gross output value of construction		Net output value of construction	
	Absolute amount (100 million yuan)	Index (as percentage of 1952)	Absolute amount (100 million yuan)	Index (as percentage of 1952)
1949	4	7.0	1	4.8
1952	57	100.0	21	100.0
1953	85	154.4	28	138.1
1954	82	152.7	26	133.3
1955	86	163.2	30	152.4
1956	146	249.3	55	261.9
1957	118	237.0	45	242.9
1958	202	403.7	68	367.0
1959	235	440.0	76	388.6
1960	248	454.1	79	394.0
1961	90	162.6	26	129.5
1962	74	138.5	32	161.9
1963	97	184.6	40	205.1
1964	151	284.9	50	259.0
1965	177	351.0	53	286.0
1966	197	395.2	58	313.0
1967	155	311.0	55	298.9
1968	132	265.0	44	237.5
1969	222	445.7	60	323.8
1970	271	544.2	80	421.0
1971	311	614.4	91	468.5
1972	323	630.4	88	452.6
1973	335	640.5	92	458.0
1974	376	702.6	99	484.1
1975	437	801.0	113	542.2
1976	435	785.0	120	568.8
1977	462	821.1	124	579.6
1978	569	995.9	125	574.4
1979	645	1,102.5	130	584.7
1980	767	1,283.3	185	758.4
1981	747	1,212.7	193	770.5
1982	912	1,445.5	209	807.5
1983	1,034	1,566.9	234	864.8

Note: Absolute amounts are based on current prices; indices are based on comparable prices.

Number of Workers in the Construction Industry

Unit: 10,000

Year	Total number of workers	Including:		Rural work force in construction industry	Individual construction laborers in cities
		State-owned units	Units owned by urban collectives		
1952		99.5			83
1957	264.6	244.6	20		
1965	400.8	306.8	94		5
1978	619.6	444.6	175	235.6	1
1979	681.8	462.8	219	298.4	1
1980	709.8	472.8	237	334.7	
1981	730.1	475.1	255	348.8	1
1982	762.8	480.8	282	421.3	1
1983	799.2	497.2	302	482.7	1

Economic and Technical Indices of the Construction Industry

Item (unit)	1981	1982	1983
Net value of fixed assets to equip each worker (yuan/person)	3,416	3,622	3,910
Output per worker (yuan/person-year)	4,051	4,574	5,148
As percentage of 1952	190.0	214.4	241.3
Average area of construction completed by each worker (square meters/person-year)	12.9	12.8	13.2
Number of construction projects appraised and accepted (each)	71,925	94,325	110,277
Number of construction projects with excellent workmanship rating (each)	41,861	61,400	72,689
Proportion of excellent work (percent)	58.1	65.1	65.9
Profit rate of output value (percent)	6.3	8.4	9.3
Output value rate on funds (percent)	34.8	36.3	32.4
Profit rate on funds (percent)	5.0	7.1	8.9
Rate of decrease in construction costs (compared with previous year) (percent)	5.8	6.4	7.8

Note: This table concerns the state-owned construction industry.

Chapter 9. The Thriving Market

In old China, the people were poor, their purchasing power was low, and the market was bleak. After liberation, the people's government set up a system of state-run commerce for both wholesale and retail sales. Cooperative commerce was also developed while socialist transformation was carried out on private capitalist commerce. A unified socialist market was then gradually formed with state-run commerce in the leading role and collective and individual commerce as its supplement. Such a market has played an important role in promoting production, stabilizing prices, and ensuring supplies.

Continued Increase in Market Supply of Commodities

In 1983, the total volume of retail sales reached 284.94 billion yuan, a 9.3-fold increase over the 27.68 billion yuan in 1952 with an average increase of 7.8 percent each year. From 1953 to 1960, the total volume of retail sales increased every year, and the average rate of increase each year was as high as 12.2 percent. After 1960, however, reduction, in industrial and agricultural output and in the source of commodity supply led to a drop in retail sales, and the volume went down to 60.77 billion yuan in 1961 and 60.4 billion yuan in 1962. After a readjustment of the national economy, the situation gradually improved and in 1964, the total retail sales volume returned to the 1959 level. During the period of the "Great Cultural Revolution" following 1966, the volume increased 6.2 percent each year. The output of agriculture and the light and textile industries increased more rapidly after the downfall of the Jiang Qing counterrevolutionary clique, and particularly after the 3d Plenum of the 11th CPC Central Committee. The sources of supply and the people's income also increased, and the society's purchasing power became much higher. In the 5 years from 1979 to 1983, the total volume of sales increased by 82.8 percent with an average increase of 12.8 percent each year. This average increase was then much higher than that of 6.9 percent in the 26 years from 1953 to 1978.

Large Increase in Rural Retail Sales

In 1983, the volume of rural retail sales was 167 billion yuan, a 10-fold increase over 1952. Before 1978, our rural economy was for a long time on a self-sufficient or semiself-sufficient basis, the development of commodity production was slow, and the increase in the peasants' purchasing power did not grow fast enough. In 1978, the volume of rural retail sales was 81.04 billion yuan, a 4.4-fold increase over 1952, but lower than the 5-fold increase in urban retail sales. After the 3d Plenum of the 11th CPC Central Committee, the system of output-related responsibility was introduced in various forms in the countryside, and a number of specialized households appeared. Then the pattern of agricultural production began to change from one of self-sufficiency or semiself-sufficiency to one of commodity production, and the peasants' commodity consumption continued to increase. In 1983, compared with 1978, rural retail sales increased 1.1-fold, at an average rate of 15.6 percent each year, a much higher rate than the 9.5-percent increase in urban retail sales. Some peasants, especially young peasants who had become wealthy ahead of others, wanted to compare favorably with their urban counterparts with regard to clothing and furnishings for their homes, and such items as TV sets, cassette recorders, washing machines, and other household electrical appliances, and motor vehicles were what they had in mind. In view of these changes in the rural market, the commercial departments, guided by the principle that priority should be given to the countryside in supplying the needed industrial products, accordingly organized the flow of industrial products to the countryside. The rural market became more flourishing than ever before.

Increased Sales of Food, Clothing, Daily Necessities Everywhere; New Change in Commodity Mix

In 1983, the volume of consumer goods retail sales was 242.61 billion yuan, an 8.2-fold increase over 1952 with an average increase of 7.4 percent each year. Before liberation, the broad masses of laboring people were driven by hunger to toil throughout the year. They ate chaff for half the year, wore rags, and lived in dire poverty. After liberation, their income was increased and their living conditions continued to improve. After solving the problems of keeping themselves warm and well fed, they made new demands on their food, clothing, and daily necessities. They wanted food not only in sufficient quantity, but also of good taste and good nutrition. In clothing, they wanted not only warmth, but also convenience and comfort from the quality and designs of the materials. In daily necessities, they wanted not only the ordinary types or even the three major items (bicycles, wristwatches, and sewing machines), but also new household electrical appliances and high-grade furniture and decorations. Commodity supply for the market accordingly underwent a profound change.

Food. In 1983, the volume of food retail sales was 130.75 billion yuan, a 7.8-fold increase over 1952. Of this volume, grain and nonstaple foodstuffs accounted for 40 percent each, and other foodstuffs accounted for the remaining 20 percent in 1952. In 1983, the ratio of grain dropped to 20 percent, that of nonstaple foodstuffs rose to 47 percent, and that of other foodstuffs rose to 33 percent. Of the volume of grain sales in 1952, coarse food grain accounted for 32 percent while flour and rice accounted for 68 percent. In 1983, the ratio of coarse food grain dropped to 15 percent and that of flour and rice rose to 85 percent. The varieties of foodstuffs continued to increase along with the development of the food industry. There are now cooked food, canned food, convenience foods, children's food, and nutritious food emerging in an endless stream. Pork, fresh eggs, and some nonstaple foodstuffs had to be rationed for a time because of scarcity of supply, but the vast majority of foodstuffs were sold without restriction.

Clothing. In 1983, the volume of commodities sold for wearing was 49.15 billion yuan, an 8.7-fold increase over 1952. For a long time, cotton textiles were mostly used for clothing by our people. In recent years, they have also worn materials of chemical fiber and woolen knitwear of different varieties. On the market, the supply of attractive and tasteful fabrics, garments, footwear, and headgear for people of various age groups have continued to increase along with the increase in new designs. Of the total volume of commodities sold for wearing, that of pure cotton cloth and cotton fabrics amounted to 54.4 percent in 1952 and only 21.1 percent in 1983. Because of the abundant supply of cotton textiles, the system of rationing which had been in force for 30 years ended in December 1983.

Daily necessities. The volume of retail sales under this category was 54.68 billion yuan in 1983, an 8.9-fold increase over 1952. In the past several years, apart from certain items occasionally in short supply, the supply of daily necessities has been basically sufficient to meet the demand. The sales of bicycles, wristwatches, and sewing machines, which have long been in short supply, are now basically stable, while the sales of TV sets, cassette recorders, washing machines, electric fans, refrigerators, and other new household electrical appliances have multiplied.

Since commodities of different categories increased at different speeds, the proportions of food, clothing, daily necessities, and fuel in the composition of consumer goods retail sales have also changed. The proportion of food has dropped, while proportions of clothing and daily necessities have risen. In 1983, compared with 1952, the proportion of food dropped from 56.4 percent down to 53.9 percent, that of clothing rose from 19.3 percent to 20.3 percent, that of daily necessities rose from 21 percent to 22.5 percent, and that of fuel remained at 3.3 percent. If price fluctuations are counted, the proportion of food has markedly decreased, as can be seen from the amount of commodity supply. In 1983, the proportion of food dropped to 40 percent, while proportions of clothing, daily necessities, and fuel rose to 25.3, 31.2, and 3.5 percent, respectively. All these changes fully reflect the great improvement in the people's living conditions on the basis of production development.

Sharp Increase in Retail Sales of Agricultural Means of Production

With increased income from their higher agricultural output, the peasants have used a fairly large portion of their increased purchasing power to buy agricultural means of production in order to expand agricultural reproduction and to quickly change the state of poverty and backwardness in the countryside. In 1983, the retail sales of agricultural means of production totaled 42.33 billion yuan, a 29-fold increase over 1952, surpassing the increase rate of retail sales of consumer goods. The proportion of retail sales of agricultural means of production in the total volume of retail sales increased from 5.1 percent to 14.9 percent. In 1983, compared with 1952, state-owned units and the supply and marketing cooperatives sold 69.08 million tons of chemical fertilizers, a 233.2-fold increase; 1,228,000 tons of insecticide, an 80.9-fold increase; 430 million sets of small and medium-size farm tools, a 9.5-fold increase; and farm machines of 9,112,000 horsepower, a 700.9-fold increase. The production of walking tractors was developed from scratch, and in 1983, 362,000 sets were supplied to the market. After the adoption of the responsibility system in the countryside, the sales of large and medium-size farm machines, formerly purchased by production teams collectively, dropped for some time, and sales of agricultural means of production slowed down. In the past 2 to 3 years, however, there was a sharp rise in the purchase of agricultural means of production by peasants. The purchase of tractors, motor vehicles and large and medium-size farm tools particularly by some individual well-to-do peasants markedly increased.

More Channels of Commodity Circulation

In the early post-liberation period, there were four channels of circulation, namely, state-run, collective, private capitalist, and individual commerce. Later, particularly after 1958, the influence of "leftist" ideas led to the merging or abolition of many commercial outlets. The special characteristics of their business operation were lost, and the cooperative stores and groups, hitherto responsible for their own profits and losses, had to "eat from the same pot" because of unified accounting. Individual commerce was restricted, market transactions were almost totally prohibited, and commodities could not circulate freely. After the 3d Plenum of the 11th CPC Central Committee, while bringing into play the leading role of the state sector, vigorous efforts were made to restore collective and individual commerce, to increase the number of markets, to open the urban markets for agricultural sideline products, and to increase the channels of circulation. By the end of 1983, the number of urban and rural collective commercial and catering outlets had been increased to 858,000 with 4,217,000 workers, 40.7 percent and 1.2-fold more than at the end of 1978, respectively. The number of commercial and catering outlets run by individuals were also increased to 4,145,000 with 5,158,000 workers, an increase of 27.8-fold and 23.7-fold, respectively. By the end of 1983, again, compared with the end of 1978, the number of urban and rural markets was increased to 48,003, a 44.1 percent increase, including 4,488 urban markets for agricultural sideline products. The volume of urban and rural market transactions reached 38.58 billion yuan, a 2.1-fold increase over 1978.

The restoration and development of circulation channels for commodities brought about changes in the proportions of various economic forms in the total volume of retail sales. In 1983, compared with 1978, the proportion of the state sector in total retail sales volume dropped from 90.5 percent to 72.1 percent, that of the collective sector rose from 7.4 percent to 16.6 percent, and that of the individual sector rose from 0.1 percent to 6.5 percent. The proportion of retail sales from peasants to the nonagricultural population increased from 2 percent to 4.7 percent.

At present, the main problem is that the source of goods is incompatible with the social purchasing power. The supply of some brandname and fine-quality commodities is inadequate for the demand, the supply of building materials urgently needed for building houses in the countryside is insufficient, and the potential purchasing power of the urban and rural population is quite high. In the course of the national economic readjustment, we must energetically increase the output of fast-selling commodities and further promote commodity circulation in order to meet the daily increasing needs of the people in their material and cultural lives.

Total Retail Sales

Unit: 100 million yuan

Year	Total retail sales	Classified according to commodity use		Classified into urban and rural areas	
		Consumer goods	Agricultural means of production	Cities	Countryside
1952	276.8	262.7	14.1	125.6	151.2
1953	348.0	328.8	19.2	168.2	179.8
1954	381.1	356.1	25.0	178.6	202.5
1955	392.2	364.0	28.2	183.2	209.0
1956	461.0	424.0	37.0	227.0	234.0
1957	474.2	441.6	32.6	238.4	235.8
1958	548.0	481.2	66.8	255.9	292.1
1959	638.0	556.5	81.5	322.8	315.2
1960	696.9	595.4	101.5	370.1	326.8
1961	607.7	537.7	70.0	351.1	256.6
1962	604.0	543.7	60.3	318.5	285.5
1963	604.5	544.8	59.7	304.9	299.6
1964	638.2	572.7	65.5	323.0	315.2
1965	670.3	590.1	80.2	338.9	331.4
1966	732.8	632.8	100.0	362.8	370.0
1967	770.5	679.1	91.4	382.0	388.5
1968	737.3	649.2	88.1	373.2	364.1
1969	801.5	698.2	103.3	393.5	408.0
1970	858.0	728.8	129.2	400.0	458.0
1971	929.2	776.9	152.3	436.7	492.5
1972	1,023.3	853.5	169.8	495.6	527.7
1973	1,106.7	917.7	189.0	531.3	575.4
1974	1,163.6	967.4	196.2	560.2	603.4
1975	1,271.1	1,046.4	224.7	606.9	664.2
1976	1,339.4	1,099.0	240.4	645.4	694.0
1977	1,432.8	1,174.3	258.5	687.9	744.9
1978	1,558.6	1,264.9	293.7	748.2	810.4
1979	1,800.0	1,476.0	324.0	815.2	984.8
1980	2,140.0	1,794.0	346.0	950.3	1,189.7
1981	2,350.0	2,002.5	347.5	1,026.0	1,324.0
1982	2,570.0	2,181.5	388.5	1,090.0	1,480.0
1983	2,849.4	2,426.1	423.3	1,179.4	1,670.0

Note: Total volume of retail sales includes retail sales from peasants to nonagricultural population.

Total Retail Sales (According to economic form)

Year	Total volume	State-owned	Collective owned	Joint ventures	Individual	Retail sales from peasants to nonagricultural population
Absolute amount (100 million yuan)						
1952	276.8	95.3		1.1	168.6	11.8
1957	474.2	294.3	77.8	76.0	12.9	13.2
1965	670.3	558.5	86.3		12.5	13.0
1978	1,558.6	1,410.1	115.3		2.1	31.1
1979	1,800.0	1,588.9	159.3		4.3	47.5
1980	2,140.0	1,797.8	257.8	0.4	15.0	69.0
1981	2,350.0	1,880.6	341.5	1.1	37.4	89.4
1982	2,570.0	1,968.6	414.4	1.6	74.6	110.8
1983	2,849.4	2,054.4	473.9	3.6	184.5	133.0
Proportion (percent)						
1952	100.0	34.4		0.4	60.9	4.3
1957	100.0	62.1	16.4	16.0	2.7	2.8
1965	100.0	83.3	12.9		1.9	1.9
1978	100.0	90.5	7.4		0.1	2.0
1979	100.0	88.3	8.9		0.2	2.6
1980	100.0	84.0	12.1		0.7	3.2
1981	100.0	80.0	14.5	0.1	1.6	3.8
1982	100.0	76.6	16.1	0.1	2.9	4.3
1983	100.0	72.1	16.6	0.1	6.5	4.7

Note: The state sector includes state-owned units and supply and marketing cooperatives. Joint venture before 1956 refers to joint public-private venture; after 1981, it includes the joint ventures of various economic forms as well as Chinese and foreign joint investment. Individual venture in 1952 and 1957 includes private enterprise operation.

Consumer Goods Retail Sales

Unit: 100 million yuan

Year	Total volume	Food	Clothing	Sundries	Fuel
1952	262.7	148.3	50.8	55.0	8.6
1953	328.8	177.9	69.5	70.4	11.0
1954	356.1	197.3	71.6	74.2	13.0
1955	364.0	202.6	71.9	75.4	14.1
1956	424.0	219.3	94.1	91.8	18.8
1957	441.6	241.0	82.6	99.6	18.4
1958	481.2	250.1	102.0	108.2	20.9
1959	556.5	274.6	132.0	128.9	21.0
1960	595.4	286.7	129.0	154.7	25.0
1961	537.7	291.7	62.8	154.6	28.6
1962	543.7	280.7	79.9	154.6	28.5
1963	544.8	283.1	90.1	145.7	25.9
1964	572.7	301.8	99.6	142.5	28.8
1965	590.1	327.1	112.5	120.2	30.3
1966	632.8	347.9	126.7	127.0	31.2
1967	679.1	367.8	142.0	137.0	32.3
1968	649.2	358.5	119.7	138.0	33.0
1969	698.2	373.7	149.6	141.6	33.3
1970	728.8	389.0	170.2	134.6	35.0
1971	776.9	413.5	165.5	159.7	38.2
1972	853.5	459.8	170.6	181.1	42.0
1973	917.7	493.2	188.3	191.2	45.0
1974	967.4	511.2	207.8	203.2	45.2
1975	1,046.4	554.2	219.4	223.2	49.6
1976	1,099.0	577.9	237.1	235.0	49.0
1977	1,174.3	618.5	255.9	247.8	52.1
1978	1,264.9	655.8	278.5	275.3	55.3
1979	1,476.0	760.2	339.2	317.5	59.1
1980	1,794.0	918.1	413.7	394.2	68.0
1981	2,002.5	1,022.3	463.0	445.7	71.5
1982	2,181.5	1,153.0	465.9	488.3	74.3
1983	2,426.1	1,307.5	491.5	546.8	80.3

Retail Sales of Major Consumer Goods

Year	Grain (10,000 tons)	Edible plant oil (10,000 tons)	Pork (10,000 tons)	Fresh eggs (10,000 tons)	Aquatic products (10,000 tons)
1952	2,961.0	76.5	170.4	13.2	77.9
1957	3,723.5	103.0	176.5	25.9	142.4
1962	3,295.0	39.0	52.7	12.7	114.6
1965	3,682.0	74.0	277.7	33.9	137.5
1978	4,750.0	87.5	467.5	45.9	219.0
1979	4,902.5	104.5	598.0	75.9	191.5
1980	5.497.0	126.0	704.5	83.7	202.9
1981	6.107.0	172.5	710.0	82.5	201.5
1982	6.730.5	221.5	752.5	90.6	227.8
1983	7,095.0	260.0	797.5	103.0	225.4

[continued]

[Continuation of above table]

Year	Sugar (10,000 tons)	Cigarettes (10,000 cases)	Liquor (10,000 tons)	Fabrics (100 million m)	Woolen fabrics (10,000 m)
1952	47.1	246.5	64.6	30.8	362.6
1957	87.9	430.8	86.7	42.9	709.4
1962	102.0	257.2	75.9	24.6	1.469.2
1965	112.2	464.6	93.7	44.4	2.444.0
1978	315.6	1.179.8	246.0	76.9	8,097.9
1979	333.0	1.352.2	289.2	86.8	10,599.0
1980	363.5	1.593.2	334.2	98.4	14,221.0
1981	395.0	1.750.0	439.2	102.5	17,000.0
1982	430.0	1.759.3	528.8	100.8	18,411.0
1983	443.9	2.004.3	592.7	105.4	20,804.4

[continued]

[Continuation of previous table]

Year	Silk (10,000 m)	Knitted underwear (10,000 pieces)	Footwear (10,000 pairs)	Soap (10,000 cases)	Sewing machines (10,000)
1952	3,092.3	2,900.4	10,330.8	630.0	10.0
1957	7,090.8	20,253.6	20,231.8	1,165.0	25.1
1962	8,127.3	12,865.2	29,201.4	799.5	62.8
1965	9,666.0	23,199.6	32,768.0	1,357.0	89.7
1978	26,802.6	69,535.5	86,929.9	3,204.2	439.8
1979	35,321.0	90,928.0	93,284.2	3,676.0	540.0
1980	44,159.0	96,676.0	105,632.0	4,043.0	665.0
1981	48,714.4	107,592.6	112,405.0	4,700.0	926.6
1982	50,020.0	117,069.0	115,454.5	4,850.0	1,140.0
1983	57,626.3	121,245.1	118,582.4	5,403.4	1,019.1

[continued]

[Continuation of previous table]

Year	Wrist-watches (10,000)	Bicycles (10,000)	Radios (10,000)	TV sets (10,000)	Coal (10,000 tons)
1952	38.5	33.5	2.0		2,361.1
1957	107.6	84.7	26.4		5,413.4
1962	99.1	83.2	94.3		7,299.0
1965	189.1	176.2	83.6		7,500.0
1978	1,388.1	809.6	1,388.9	55.1	10,063.0
1979	1,944.4	954.5	1,639.5	180.7	10,600.0
1980	2,534.0	1,186.0	2,722.0	364.0	12,574.0
1981	2,890.0	1,582.0	3,074.9	635.0	13,388.8
1982	3,576.0	2,214.0	3,625.0	751.0	14,756.5
1983	3,898.0	2,620.7	3,074.5	843.0	15,494.3

Sales of Agricultural Means of Production

Year	Chemical fertilizers (10,000 tons)		Insecticide	Tractors	Walking tractors	Motor-driven farm machines	Farm machines
	Standard amount	High efficiency amount	(10,000 tons)	(10,000 hp)	(10,000 hp)	(10,000 hp)	(10,000)
1952	29.5	7.8	1.5			1.3	25.1
1957	179.4	37.3	14.9			26.5	64.7
1962	310.5	63.0	21.3			84.6	38.3
1965	972.0	194.2	54.3			161.2	185.3
1978	4,087.5	829.4	146.4	383.0	348.8	1,410.1	355.8
1979	4,948.3	1,014.9	151.4	486.9	377.0	1,258.4	438.2
1980	5,531.1	1,192.2	152.7	351.0	253.4	869.9	541.6
1981	5,811.9	1,232.2	151.2	209.8	198.5	723.8	673.7
1982	6,790.7	1,382.5	158.2	177.4	280.3	771.9	1,002.9
1983	6,908.0	1,461.0	122.8	154.5	410.4	911.2	1,010.1

Note: This table concerns sales volume state-owned commerce.

Outlets and Personnel in Retail Sales, Catering Trades, and Service Trades
(Yearend number)

Item	1957	1978	1979	1980	1981	1982	1983
I. Outlets (10,000)							
1. Retail sales	195.3	104.8	113.9	146.3	202.3	260.7	478.7
(1) State-owned	52.1	35.7	44.9	47.8	51.2	54.0	60.6
(2) Collective owned	101.9	58.3	57.0	60.7	68.1	72.9	74.0
(3) Joint venture				0.03	0.03	0.03	0.04
(4) Individual venture	41.3	10.8	12.0	37.8	83.0	133.8	344.1
2. Catering trades	47.0	11.7	14.5	29.8	47.7	62.8	87.7
(1) State-owned	4.0	5.4	4.9	5.1	5.4	5.4	5.5
(2) Collective owned	31.2	2.7	5.4	8.3	10.9	12.5	11.8
(3) Joint venture				0.02	0.01	0.02	0.01
(4) Individual venture	11.8	3.6	4.2	16.5	31.4	44.9	70.4
3. Service trades	28.0	9.0	13.6	28.0	43.8	59.7	94.0
(1) State-owned	3.3	4.3	4.3	4.4	4.7	4.8	4.9
(2) Collective owned	9.7	1.3	5.2	7.3	9.4	12.0	11.6
(3) Joint venture				0.02	0.01	0.02	0.01
(4) Individual venture	15.0	3.4	4.1	14.3	29.7	42.9	77.5
II. Personnel (10,000)							
1. Retail sales	568.9	447.4	562.7	637.7	762.8	870.9	1.168.9
(1) State-owned	347.2	258.6	356.5	384.0	406.9	423.8	434.6
(2) Collective owned	175.0	175.2	191.1	206.1	257.0	290.7	322.1
(3) Joint venture				0.3	0.4	0.5	0.6
(4) Individual venture	46.7	13.6	15.1	47.3	98.5	155.9	411.6
2. Catering trades	115.5	104.4	139.4	176.5	211.3	238.8	271.3
(1) State-owned	32.1	78.3	73.4	73.9	72.4	70.6	66.9
(2) Collective owned	69.5	18.8	57.5	77.8	94.7	103.9	99.6
(3) Joint venture				0.2	0.1	0.4	0.6
(4) Individual venture	13.9	7.3	8.5	24.6	44.1	63.9	104.2
3. Service trades	77.0	56.0	88.4	112.6	148.3	182.4	227.4
(1) State-owned	23.4	45.1	42.6	45.1	48.3	50.6	50.2
(2) Collective owned	35.9	5.6	39.5	49.5	64.6	80.3	83.8
(3) Joint venture				0.2	0.1	0.3	0.4
(4) Individual venture	17.7	5.3	6.3	17.8	35.3	51.2	93.0

Urban and Rural Fairs

Item	1978	1979	1980	1981	1982	1983
I. Number of fairs (unit)	33,302	38,993	40,809	43,013	44,775	48,003
1. Cities		2,226	2,919	3,298	3,591	4,488
2. Countryside	33,302	36,767	37,890	39,715	41,184	43,515
II. Volume of transactions (100 million yuan)	125.0	183.0	235.0	287.0	333.1	385.8
1. Cities		12.0	24.0	34.0	45.2	55.9
2. Countryside	125.0	171.0	211.0	253.0	287.9	329.9
Of which: Grain, edible oil	20.1	28.6	34.4	36.4	39.4	43.4
Meat and eggs	21.2	33.3	42.1	50.9	57.6	72.9
Aquatic products	5.2	6.6	9.3	12.1	14.8	18.8
Vegetables	14.3	17.1	21.5	25.5	27.2	33.1
Fresh and dried fruit	4.0	6.0	7.5	8.8	10.3	13.3
Fodders and farm tools	10.4	11.5	7.1	8.4	10.5	11.7
Large animals	20.9	29.8	26.5	38.9	45.4	41.6

Chapter 10. Basic Stability of Market Prices

Since the founding of the People's Republic, the party and government have all along upheld the principle of stabilizing market and commodity prices so that the retail prices in our urban and rural markets could remain stable for a long time. From 1951 to 1983, the general index of retail sales prices increased by an average of only 1.35 percent, and that of living expenses of the workers, by an average of 1.6 percent each year. Implementation of this principle has played a useful role in protecting socialist construction and stabilizing the people's livelihood.

Inflation Left From Old China Quickly Halted in Early Post-Liberation Period

What old China left behind was chaos as shown by the shrinkage of production, the severe price inflation, and the extreme hardship for the people. Market prices continued to soar up to March 1950 when the general level of retail prices was 6.2-fold that in October 1949. To keep the prices down and to pacify the people, the people's central government issued the "Decision Concerning the Unification of Financial and Economic Work Throughout the Country" in February 1950, while the finance, commerce, and banking departments adopted a series of strong measures to consolidate state leadership over market prices. In June 1950, the general level of retail prices was lowered by 31.2 percent below that of March. Since then, despite occasional fluctuations, overall price levels gradually stabilized. In 1952, compared with 1950, the general level of market prices rose only 11.8 percent, but still 7.3 percent below that of March 1950. This was one of the important signs of a fundamental improvement in the state's financial and economic situation. Thus, in less than 3 months, the malignant currency inflation which old China could not control, was basically halted. This was a rare achievement in the economic history of China and foreign countries.

From 1953 to 1956, the state strengthened the leadership of the state sector over the market and adopted the policy of unified purchasing and marketing for grain, edible oil, cotton, cotton fabrics, and other important consumer goods in people's daily life, worked out unified wholesale prices for certain important industrial products in the country, readjusted or reduced regional and seasonal differentials and the difference between wholesale and retail prices for many commodities and thus ensured the supply of daily necessities and the basic stability of prices for the urban and rural population. An upsurge of socialist transformation appeared in 1956. Capital construction developed very rapidly and with the increase in the number of workers and in their wages, the social purchasing power increased faster than in production. Prices again rose. In view of this, the state temporarily froze prices in the second half of 1956 and checked the price inflation. In 1957, compared with 1952, the general index of retail prices rose 8.5 percent, and that of workers' living expenses rose 9.6 percent. In 1957, compared with 1950, the former rose 21.3 percent and the latter rose 26.6 percent. At the same time, the average increase in the wages of workers in the state sector was more than 40 percent, and the increase rate was far higher than that of prices. The actual income of the working families was not reduced as a result of the price fluctuations.

Many Measures Adopted in Late 1950's and Early 1960's To Overcome Price Fluctuations Caused by 3 Years of Natural Disasters

China went all out to build socialism in 1957-1966. During these 10 years, because of the 3 years of natural disasters from 1959 to 1961, the output of grain and cash crops all dropped by a wide margin. Commodity supply and demand became unbalanced, market prices, including the listed prices of all minor commodities, rose sharply. In 1962, the general index of retail prices in the country was higher than in 1958 by 25.5 percent. The stability of prices was shattered. In striving for improved finance and economy, the CPC Central Committee adopted the policy of "readjustment, consolidation, replenishment, and improvement" in good time, together with a series of measures to control prices and to protect the people's livelihood. In 1961, for example, instead of readjusting, the state decided to freeze temporarily the prices of 18 commodities and services, including grain, edible oil, meat, eggs, salt, sauce, vinegar, sugar, cotton fabrics, cotton knitwear, coal, and petroleum, as well as house rents and charges on water and electricity which people need in their daily life. It also made sure that those consumer goods which are indispensable to the workers' daily life were supplied at standard low prices and in fixed quantities. At the same time, in order to promote production, to balance supply and demand, to withdraw some currency from circulation and to stabilize prices, it also adopted the policy of selling a few high-grade commodities, such as candies, pastry, and knitwear, at high prices and without restrictions, and initiated a system of negotiated purchases and sales for agricultural sideline products of secondary importance according to market conditions. These measures played an important role in checking inflation, catering to the people's basic needs, and striving for an improved national economy. Market prices gradually dropped after the national economic readjustment in 1963-1965. In 1965, compared with 1962, the general index of retail prices dropped by 11.8 percent and that of the workers' living expenses dropped by 10.5 percent. Market prices tended to be stable once again.

Prompt Action of State Council in Freezing Prices During "Great Cultural Revolution" To Ensure Price Stability for Daily Necessities

During the "Great Cultural Revolution," the Lin Biao-Jiang Qing counterrevolutionary clique did everything they could to encourage economism and anarchism, and an evil wind of violating price policy appeared everywhere. In view of this, the State Council ordered in August 1967 that the listed retail prices be frozen in state sector commerce, and stipulated that the localities could not, without authorization, narrow or lower regional differentials and the urban-rural differential, or change the scales of fees. By this means, the basic stability of prices throughout the country could still be preserved despite the serious imbalance of the national economy. During this period, there was even a unified reduction in the retail prices of agricultural means of production and pharmaceutical products. In 1976, compared with 1963, the general retail price level dropped 1.7 percent and the general index of the workers' living expenses rose 0.7 percent.

Price Subsidy by State Along With Readjustment of Some Commodity Prices in Recent Years; Prices Remaining Basically Stable

In the 2 years from the downfall of Jiang Qing's counterrevolutionary clique in October 1976 to the 3d Plenum of the 11th CPC Central Committee, the anarchist trend of thought was still rife, although certain recovery had been made in industrial and agricultural production. Moreover, "leftist" influence still remained in economic work, and free pricing and price inflation in disguise were fairly prevalent. This situation must be remedied. At that time, the state had to give priority to price readjustment and the centralized control of market prices, and could not proceed with the solution of all the problems accumulated from the freezing of prices over a long period. Since the 3d Plenum of the 11th CPC Central Committee, the state has on several occasions conducted price readjustments on a fairly large scale. In 1979, the procurement prices of grain, edible oil, cotton, pigs, eggs, and other major agricultural sideline products were raised by a fairly wide margin, and even higher prices were paid for the above-quota procurement of grain, edible oil, and cotton. Furthermore, the scope of negotiated prices for the procurement of agricultural sideline products was enlarged. As a result, the general price index for the procurement of agricultural sideline products was higher than in 1978 by 22.1 percent. In November of the same year, the state raised the retail prices of eight major items of nonstaple foodstuffs including meat, poultry, eggs, and aquatic products, by 15 to 42 percent and at the same time made sure that the living standards of the vast majority of workers and urban residents would not be lowered. A series of important measures--such as keeping the prices of grain and edible oil at their existing levels, raising some workers' wages, readjusting regional wage differentials, giving each worker 5 yuan each month as a nonstaple food price subsidy, strengthening price control, and prohibiting unauthorized price increases--were accordingly taken. The state also made great efforts to promote agricultural production and to improve market supply, and thus succeeded in preventing serious price fluctuations. In 1980, the state raised the factory prices of manufactured goods made of gold, silver, copper, iron, and tin as raw materials. In November 1981, it also raised the retail prices of tobacco and liquor by 21 percent and 12 percent, respectively, and lowered the retail prices of terylene-cotton fabrics and some other commodities by an average of 8 percent. At the beginning of 1983, the state again raised the retail prices of all cotton knitwear in the country by an average of 19.6 percent, and reduced those of chemical fiber products by an average of 19.4 percent. At the same time, the retail prices of mechanical watches, alarm clocks, color TV sets, and roll film were lowered. These price readjustments set right the price structure which had long been irrational. To invigorate the economy during this period, the state also initiated the system of negotiated buying and selling and opened the markets for agricultural sideline products in the cities. These measures helped promote industrial and agricultural production as well as the flow of materials between the urban and rural areas.

Although the state reduced the prices of commodities for wearing and daily use after the 3d Plenum of the 11th CPC Central Committee, the general level of retail prices in the country has risen because of the even higher increase in the prices of food. In 1983, compared with 1978, the general index of the workers' living expenses rose 16.7 percent; that of retail prices throughout the country rose 14.5 percent, and the retail prices of consumer goods rose 15.7 percent. Among consumer goods, food prices rose 27.3 percent, the prices of industrial products for daily use rose 3.3 percent, pharmaceutical products prices rose 8.2 percent, fuel prices rose 3.3 percent, but the prices of clothing dropped 4.2 percent. While readjusting the retail prices of some commodities, the state has also many times readjusted the workers' wages, or adopted the system of bonus subsidy and price subsidy. The margin of increase in the income of most workers was greater than that of price increase. In 1983, the average amount of workers' wages (including bonuses and price subsidies for nonstaple foodstuffs) to be spent on living expenses was 826 yuan, a 34.5 percent increase over the 614 yuan in 1978. After taking price increases into account, the workers' real income still increased by 15.3 percent at an average progressive rate of 2.9 percent each year. If the increased opportunity for household employment is considered, the real per capita income in the family would be a little more. In an effort to preserve the basic stability of the general price level, the state spent 71.8 billion yuan in 1979-1983 in price subsidies for grain, oil, meat, poultry, eggs, vegetables, aquatic products, coal, and cotton for wadding, and thus further ensured the stability of the workers' living standards.

At present, while the country is being opened to the outside world and efforts are being made to invigorate the economy at home, market control and price control are not yet able to keep pace with the current developments, and the price system is irrational. Some commodity prices are quite seriously deviating from value and price hikes in disguise have continued to appear on the market. Some practical remedial measures are still urgently needed.

Price Indices (Percentage of 1950)

(1) 年份	(2) 全国零售物价总指数	(3) 职工生活费用价格总指数	(4) 工业品出厂价格总指数	(5) 农副产品收购价格总指数	(6) 农村工业品零售价格总指数	(7) 工农业商品的综合比价指数	
						以农副产品收购价格总指数为100 (8)	以农村工业品零售价格总指数为100 (9)
1951	112.2	112.5	113.9	119.6	110.2	92.1	108.5
1952	111.8	115.5	113.2	121.6	109.7	90.2	110.8
1953	115.6	121.4	109.5	132.5	108.2	81.7	122.5
1954	118.3	123.1	107.8	136.7	110.3	80.7	123.9
1955	119.5	123.5	106.4	135.1	111.9	82.8	120.7
1956	119.5	123.4	98.5	139.2	110.8	79.6	125.6
1957	121.3	126.6	98.7	146.2	112.1	76.7	130.4
1958	121.6	125.2	98.1	149.4	111.4	74.6	134.1
1959	122.7	125.6	98.7	152.1	112.4	73.9	135.3
1960	126.5	128.8	98.0	157.4	115.5	73.4	136.3
1961	147.0	149.6	102.9	201.4	121.2	60.2	166.2
1962	152.6	155.3	106.9	200.1	126.6	63.3	158.1
1963	143.6	146.1	106.3	194.4	125.3	64.5	155.1
1964	138.3	140.7	104.2	189.5	122.9	64.9	154.2
1965	134.6	139.0	99.3	187.9	118.4	63.0	158.7
1966	134.2	137.3	95.1	195.8	115.0	58.7	170.3
1967	133.2	136.4	93.9	195.5	114.1	58.4	171.3
1968	133.3	136.5	91.9	195.2	113.8	58.3	171.5
1969	131.8	137.8	88.8	194.9	112.1	57.5	173.9
1970	131.5	137.8	84.9	195.1	111.9	57.4	174.4
1971	130.5	137.7	84.4	198.3	110.2	55.6	179.9
1972	130.2	137.9	83.9	201.1	109.6	54.5	183.5
1973	131.0	138.0	83.5	202.8	109.6	54.0	185.0
1974	131.7	138.9	82.7	204.5	109.6	53.6	186.6
1975	131.9	139.5	82.4	208.7	109.6	52.5	190.4
1976	132.3	139.9	82.2	209.7	109.7	52.3	191.2
1977	135.0	143.7	81.4	209.2	109.8	52.5	190.5
1978	135.9	144.7	81.6	217.4	109.8	50.5	198.0
1979	138.6	147.4	82.9	265.5	109.9	41.4	241.6
1980	146.9	158.5	83.4	284.4	110.8	39.0	256.7
1981	150.4	162.5	83.6	301.2	111.9	37.2	269.2
1982	153.3	165.8	83.4	307.8	113.7	36.9	270.7
1983	155.6	169.1	83.3	321.3	114.8	35.7	279.9

Key:

1. Year
2. General national index of retail sales
3. General price index of workers' living expenses
4. General factory price index of industrial products
5. General price index for procurement of agricultural sideline products
6. General index of retail prices for rural industrial products
7. Index of comprehensive price parity between industrial and agricultural commodities
8. Percentage of general price index for procurement of agricultural sideline products
9. Percentage of general index of retail prices for rural industrial commodities

Note: This table includes the indices of listed prices, negotiated prices, market prices, and additional prices for above-quota procurement.

Price Indices (Percentage of 1952)

(1) 年份	(2) 全国零售物价总指数	(3) 职工生活费用价格总指数	(4) 工业品出厂价格总指数	(5) 农副产品收购价格总指数	(6) 农村工业品零售价格总指数	(7) 工农业商品的综合比价指数	
						以农副产品收购价格总指数为100 (8)	以农村工业品零售价格总指数为100 (9)
1953	103.4	105.1	96.7	109.0	98.6	90.5	110.5
1954	105.8	106.6	95.2	112.4	100.5	89.4	111.8
1955	106.9	106.9	94.0	111.1	102.0	91.8	108.9
1956	106.9	106.8	87.0	114.5	101.0	88.2	113.4
1957	108.5	109.6	87.2	120.2	102.2	85.0	117.6
1958	108.8	108.4	86.7	122.9	101.5	82.6	121.1
1959	109.7	108.7	87.2	125.1	102.5	81.9	122.0
1960	113.1	111.5	86.6	129.4	105.3	81.4	122.9
1961	131.5	129.5	90.9	165.6	110.5	66.7	149.9
1962	136.5	134.5	94.4	164.6	115.4	70.1	142.6
1963	128.4	126.5	93.9	159.9	114.2	71.4	140.0
1964	123.7	121.8	92.0	155.8	112.0	71.9	139.1
1965	120.4	120.3	87.7	154.5	107.9	69.8	143.2
1966	120.0	118.9	84.0	161.0	104.8	65.1	153.6
1967	119.1	118.1	83.0	160.8	104.0	64.7	154.6
1968	119.2	118.2	81.2	160.5	103.7	64.6	154.8
1969	117.9	119.3	78.4	160.3	102.2	63.8	156.8
1970	117.6	119.3	75.0	160.4	102.0	63.6	157.3
1971	116.7	119.2	74.6	163.1	100.5	61.6	162.3
1972	116.5	119.4	74.1	165.4	99.9	60.4	165.6
1973	117.2	119.5	73.8	166.8	99.9	59.9	167.0
1974	117.8	120.3	73.1	168.2	99.9	59.4	168.4
1975	118.0	120.8	72.8	171.6	99.9	58.2	171.8
1976	118.3	121.1	72.6	172.5	100.0	58.0	172.5
1977	120.8	124.4	71.9	172.0	100.1	58.2	171.8
1978	121.6	125.3	72.1	178.8	100.1	56.0	178.6
1979	124.0	127.7	73.2	218.3	100.2	45.9	217.9
1980	131.4	137.2	73.7	233.9	101.0	43.2	231.6
1981	134.6	140.6	73.8	247.7	102.0	41.2	242.8
1982	137.2	143.4	73.7	253.1	103.6	40.9	244.3
1983	139.3	146.3	73.6	264.2	104.6	39.6	252.6

Key:

1. Year
2. General national index of retail sales
3. General price index of workers' living expenses
4. General factory price index of industrial products
5. General price index for procurement of agricultural sideline products
6. General index of retail prices for rural industrial products
7. Index of comprehensive price parity between industrial and agricultural commodities
8. Percentage of general price index for procurement of agricultural sideline products
9. Percentage of general index of retail prices of rural industrial commodities

Note: This table includes the indices of listed prices, negotiated prices, market prices, and additional prices for above-quota procurement.

Indices of State Prices for Procurement of Agricultural Sideline Products (Percentage of 1950)

Item	1952	1957	1965	1978	1980	1983
General index	121.6	146.2	185.1	207.3	251.2	259.8
I. Grain	121.4	141.4	190.9	224.4	271.8	283.8
II. Cash crops	113.0	126.4	152.8	174.0	210.8	215.4
1. Edible oil	108.2	167.9	246.7	321.3	398.5	400.5
2. Cotton	113.3	111.1	122.9	138.8	179.0	179.0
3. Flax	131.0	139.9	170.3	188.0	209.6	204.3
4. Tobacco	116.5	124.0	174.0	176.6	184.7	216.1
5. Sugar	87.2	102.9	135.3	151.5	189.3	199.3
6. Tea	154.7	241.6	304.1	330.4	365.1	370.9
III. Animal products	105.7	145.5	192.1	201.8	255.8	260.7
1. Meat	102.7	142.9	193.2	200.2	255.3	256.6
2. Eggs	104.7	152.5	188.5	217.4	262.5	305.4
3. Leather	136.8	150.2	163.1	182.6	229.9	232.3
4. Bristles	136.5	143.1	168.3	186.9	212.3	212.4
IV. Other agricultural sideline products	160.6	210.2	251.4	278.8	317.9	344.6
1. Timber	115.1	105.9	141.7	173.3	230.8	310.4
2. Industrial lacquer	103.9	132.1	214.9	275.1	319.5	316.9
3. Cocoon, silkworm silk	115.9	122.0	163.8	176.4	214.9	216.2
4. Fresh, dried fruits	130.7	160.2	183.1	205.1	220.1	247.5
5. Fresh, dried vegetables, condiments	179.0	237.2	235.0	259.3	302.7	334.8
6. Drugs	136.7	222.3	297.2	272.0	279.7	304.5
7. Indigenous sideline products	177.4	234.3	306.0	350.7	375.7	392.1
8. Aquatic products	105.0	145.0	175.2	182.6	215.5	223.4

Chapter 11. Growth of Foreign Economic Relations and Trade

China's foreign trade developed fairly rapidly in the past 30 and more years. Particularly since the 3d Plenum of the 11th CPC Central Committee, it has adopted the policy of opening the country to the outside world, firmly adhered to the principle of equality, mutual benefits, and common development in international contacts, and vigorously developed its trade relations and economic and technical cooperation with foreign countries with remarkable success.

Continued Expansion of Foreign Trade, Change in Import-Export Commodity Mix

The total import-export volume of 1983 was 35-fold that of 1950 with an average increase of 11.4 percent each year. Export volume increased more than 39-fold, with an average annual increase of 11.9 percent, and import volume increased 31-fold, with an average annual increase of 11.1 percent.

In the 1950's and 1960's, China was still economically weak, and because of the imperialist policy of blockading China, at that time we had to carry on trade mainly with the Soviet Union and the Eastern European countries. Every year, the import-export volume was always around $3 to 4 billion. Since the 1970's, along with the gradual increase in its petroleum exports, China became more and more active in foreign trade and its trade contacts with the Western countries and the Third World countries became more frequent. Import-export volume was increased from $4.59 billion in 1970 to $20.64 in 1978. After the 3d Plenum of the 11th CPC Central Committee, its trade relations with various countries in the world were further strengthened. Despite the international trade recession in the past 2 to 3 years, our foreign trade was still quite greatly developed. In the 5 years from 1979 to 1983, import-export volume increased at an average rate of 14.6 percent each year, and was more than $40 billion in 1983.

China exported mostly agricultural sideline products in the early post-liberation period. Later, along with the development of industrial production, the exports of light and textile industrial products continued to increase. In the last several years, exports of complete plants, machine tools, and ships have begun and the export mix was greatly changed. The proportion of primary products in total export volume dropped from 83.4 percent in 1952 to 43.3 percent in 1983, and among them agricultural sideline products and petroleum accounted for about 20 percent each. The proportion of manufactured goods rose from 16.6 percent in 1952 to 56.7 percent in 1983.

In exports, those commodities that are usually exported in large quantities have also increased considerably. In 1983, the number of varieties whose export value exceeded $100 million was increased from 16 in 1978 to 36. Among them were four varieties--namely, cotton fabrics, garments, crude oil, and refined oil--with an export value of more than $500 million; 32 varieties, including cotton-polyester fabrics, cotton knitwear, drawn work, silk, ships, coal, drugs, and tea, with an export value of $100 to 500 million. The volume of exports of 27 varieties, including pig bristles, sausage casings, feathers, rabbit hairs, goat skin, cashmere, resin, green tea, filature silk, black and white tungsten ores, antimony, black mu'er, lacquer, medicinal herbs, and ceramics, now occoupy the first rank in the world. Another 46 varieties, including zinc, tin, cement, high-grade garments, and outer knitwear, bicycles, chemicals, tangerines, aquatic products, fine-quality rice, canned food, and meat, have also become fast-selling commodities on the international market.

In the past 30 and more years, the commodity mix of our imports has also undergone a great change. In the 1950's, we imported mostly mechanical equipment, metal materials, chemical raw materials, chemical fertilizers, and other means of production. After the 1960's, since the development of agricultural production was slow, grain, originally for exports, had to be imported. Imports of cotton and sugar also continued to increase. After 1978, we had good harvests several consecutive years, and became more self-sufficient in the major agricultural products. However, to honor our trade obligations and to be sure that the peasants had time to rest and recuperate, grain procurement was reduced and the state continued to import a certain amount of agricultural sideline products every year. At the same time, we also imported wristwatches, TV sets, cassette recorders, washing machines, refrigerators, and other consumer goods to meet the people's diversified demands. In the total volume of imports, the proportion of primary products increased from 18.7 percent in 1952 to 27.2 percent in 1983, while that of manufactured goods dropped from 81.3 percent to 72.8 percent.

At present, China has trade relations with 175 countries and regions in the world. Among these countries, Japan, the United States, the FRG, Canada, and Australia are the fairly big trade partners.

Preliminary Success in Utilization of Foreign Funds

Since the 3d Plenum of the 11th CPC Central Committee, China has adopted the policy of utilizing foreign funds actively and steadily, and achieved preliminary success by inching its way forward despite various difficulties. From 1979 to 1983, China has utilized $14.6 billion of foreign funds.

In the past 5 years, we borrowed $11.8 billion, and by the end of 1983, repaid $8.6 billion, leaving a balance of $3.2 billion. At the same time, we absorbed direct investments from abroad, mainly in the forms of Chinese foreign joint ventures, enterprises with exclusive foreign capital, cooperative operations, cooperative prospecting, and exploitation of offshore oil, compensatory trade, processing materials, or assembling parts supplied by foreign customers, and so forth. In these 5 years, we absorbed $2.8 billion of direct foreign investments and approved the opening of 188 joint ventures. These enterprises are spread out in 20 different trades, and 68 of them were concentrated in the four Special Economic Zones [SEZ's], namely, Shenzhen, Zhuhai, Shantou, and Xiamen. Among the Chinese-foreign joint ventures opened in 1983, nine of them made a total investment of more than $10 million each. The total investments in their plants--which had imported the technologies of manufacturing a new type of four-wheel-drive vehicle from a U.S. motor vehicle company, for producing glass with the float process from England, and for producing S1240 digital telephone sets from the Bell Co. of Belgium--exceeded $50 million.

New progress has been made in the prospecting and exploitation of offshore oil. In 1983 alone, 18 new contracts were signed involving more than $1 billion of foreign funds. From Japan, the United States, England, France, Australia, Spain, and Canada, 27 petroleum companies will participate in the exploitation of oil in the continental shelf along the China coast. The localities and government departments have also signed with foreign traders about 200 contracts on Chinese-foreign joint venture business projects, and according to the contract stipulations, the foreign traders will invest about $180 million. In the past several years, the business projects in which China cooperates with foreign traders totaled more than 1,000. Progress has also been made in the utilization of foreign funds through compensatory trade and leasing.

At present, the four experimental SEZ's in Shenzhen, Zhuhai, Shantou, and Xiamen have made a good start. Recently, the Chinese Government further decided to open 14 coastal cities--namely, Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Liangyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai--which, together with the present 4 SEZ's, will become the forward zone of opening our country to the outside world.

Developments in Contracting for Construction Projects Abroad and Labor Service Cooperation and in Joint Ventures

Since the 3d Plenum of the 11th CPC Central Committee, China has played an active part in the field of contracting for construction projects abroad and labor service cooperation. In 1979, the international economic and technical cooperation companies of China signed only 12 contracts for labor service cooperation and 24 contracts for construction projects abroad with foreign countries. In 1983, the former increased to 174 and the latter increased to 250. In 1979, the contracts China signed with foreign countries totaled only $69 million in value; in 1983, the amount was increased to $937 million. In 1979, again, China signed such contracts with only 8 countries and regions; in 1983, the number of countries and regions was increased to 53. In the past 5 years, China signed 1,317 contracts for construction projects abroad and labor service cooperation of $2.1 billion in value and have already earned $940 million. While continuing to cooperate with oil-producing countries in the Middle East and North Africa, China is also strengthening its economic cooperation with other developing and developed countries. In the past 5 years, it signed nearly 300 contracts with Rwanda, North Yemen, Burundi, Nepal, and Somali for construction projects and technical labor service cooperation. At the same time, contracts of the same nature were signed with Japan, the United States, the FRG, and Canada.

Nontrade joint ventures in foreign countries are also developing gradually. Since the adoption of the open-door policy, China has approved the opening of 65 nontrade joint ventures in 23 foreign countries (and regions). In 1983, its joint ventures with Third World countries have developed fairly rapidly. Now, 20 joint ventures have been opened in these countries.

Total Volume of Imports, Exports Through Customs

Unit: 100 million RMB

Item	1980	1981	1982	1983
Total import-export volume	570.03	735.34	772.02	860.15
Total exports	271.19	367.61	414.33	438.33
Total imports	298.84	367.73	357.69	421.82
Difference (+exports, -imports)	-27.65	- 0.12	+56.64	+16.51

Import-Export Commodities Through Customs Classified

Unit: 100 million RMB

	1981		1982		1983	
Item	Exports	Imports	Exports	Imports	Exports	Imports
Total	367.61	367.73	414.33	357.69	438.33	421.82
Primary products	171.21	134.17	186.33	141.53	189.73	114.53
Food and major items related to catering	48.85	60.48	53.93	77.88	56.27	61.56
Beverage and tobacco	1.00	3.55	1.80	2.41	2.05	0.92
Nonfood raw materials	32.56	67.10	30.64	55.85	37.32	48.48
Mineral fuel, lubricants, and related raw materials	87.32	1.38	98.52	3.40	92.02	2.19
Animal and plant oil, fat and wax	1.48	1.66	1.44	1.99	2.07	1.38
Manufactured goods	196.40	233.56	228.00	216.16	248.60	307.29
Chemical and related products	22.41	43.72	22.18	54.44	24.67	62.77
Light and textile industrial and metal products	78.60	67.41	79.76	72.41	86.09	124.02
Machinery and transport equipment	18.15	97.98	23.41	59.40	24.06	78.65
Other miscellaneous light industrial products	62.22	9.31	68.64	9.02	75.03	15.42
Not categorized	15.02	15.14	34.01	20.90	38.75	26.43

Import-Export Volume by Foreign Trade Departments

Year	In RMB (100 million yuan)			In dollars ($100 million)		
	Import-export volume	Export volume	Import volume	Import-export volume	Export volume	Import volume
1950	41.6	20.2	21.4	11.3	5.5	5.8
1951	59.5	24.2	35.3	19.6	7.6	12.0
1952	64.6	27.1	37.5	19.4	8.2	11.2
1953	80.9	34.8	46.1	23.7	10.2	13.5
1954	84.7	40.0	44.7	24.4	11.5	12.9
1955	109.8	48.7	61.1	31.4	14.1	17.3
1956	108.7	55.7	53.0	32.1	16.5	15.6
1957	104.5	54.5	50.0	31.1	16.0	15.1
1958	128.8	67.1	61.7	38.7	19.8	18.9
1959	149.3	78.1	71.2	43.8	22.6	21.2
1960	128.5	63.3	65.2	38.1	18.6	19.5
1961	90.8	47.8	43.0	29.4	14.9	14.5
1962	80.9	47.1	33.8	26.6	14.9	11.7
1963	85.7	50.0	35.7	29.2	16.5	12.7
1964	97.5	55.4	42.1	34.7	19.2	15.5
1965	118.4	63.1	55.3	42.5	22.3	20.2
1966	127.1	66.0	61.1	46.2	23.7	22.5
1967	112.2	58.8	53.4	41.6	21.4	20.2
1968	108.5	57.6	50.9	40.5	21.0	19.5
1969	107.0	59.8	47.2	40.3	22.0	18.3
1970	112.9	56.8	56.1	45.9	22.6	23.3
1971	120.9	68.5	52.4	48.5	26.4	22.1
1972	146.9	82.9	64.0	63.0	34.4	28.6
1973	220.5	116.9	103.6	109.8	58.2	51.6
1974	292.2	139.4	152.8	145.7	69.5	76.2
1975	290.4	143.0	147.4	147.5	72.6	74.9
1976	264.1	134.8	129.3	134.4	68.6	65.8
1977	272.5	139.7	132.8	148.0	75.9	72.1
1978	355.1	167.7	187.4	206.4	97.5	108.9
1979	454.6	211.7	242.9	293.3	136.6	156.7
1980	563.8	272.4	291.4	378.2	182.7	195.5
1981	717.4	371.2	346.2	403.7	208.9	194.8
1982	756.4	420.0	336.4	393.0	218.2	174.8
1983	797.2	434.5	362.7	407.3	222.0	185.3

Notes:
1. For 1950-1978, dollars are based on the exchange rates set by the People's Bank for the current years. For 1979-1983, they are based on the rates set by Bank of China.
2. Figures in this table based on statistics from the Ministry of Foreign Economic Relations and Trade

Major Commodities Exported in Foreign Trade

Year	Rice		Pigs		Cotton fabrics	
	Quantity (10,000 tons)	Value ($10,000)	Number (10,000 head)	Value ($10,000)	Quantity (10,000 meters)	Value ($10,000)
1952	33.48	6,060	77.90	2,158	1,620	454
1957	52.95	6,108	50.74	1,495	34.972	6,331
1962	45.79	5,332	81.79	1,426	54,900	11,445
1965	98.49	11,853	171.86	4,312	80,280	16,284
1978	143.52	44,202	246.28	17,854	109,564	57,954
1979	105.31	33,773	242.21	19,657	110,883	69,882
1980	111.64	39,062	246.82	21,362	108,630	71,236
1981	58.33	23,957	257.42	22,865	117,394	74,459
1982	45.71	17,464	264.96	23,965	112,384	68,967
1983	56.59	17,184	262.06	22,912	132,531	75,088

[continued]

[Continuation of above table]

Year	Silk		Filature silk		Black tungsten ores	
	Quantity (10,000 meters)	Value ($10,000)	Quantity (tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)
1952	1.738	1,564	2,052	1,815	2.18	3,442
1957	5,456	4,706	3,275	3,160	3.54	7,640
1962	13,085	6,433	882	1,055	2.42	4,300
1965	9,500	4,220	2.850	3,343	1.86	3,281
1978	12,352	19,949	8,739	25,527	1.60	15,080
1979	14,575	26,332	9,040	27,123	1.58	15,070
1980	13,225	25,320	7,731	26,685	1.75	16,696
1981	14,266	28,729	5.198	15,164	1.93	18,217
1982	11,549	23.865	10,340	28,468	0.99	6,832
1983	15,018	32,176	9.339	24,789	2.22	13,168

[continued]

[Continuation of preceding table]

Year	Coal		Crude oil		Refined oil	
	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)
1952						
1957	188	1,527				
1962	260	3,204	6.28	115	2.71	431
1965	336	4,200	19.64	470	10.22	347
1978	312	10,049	1,131.32	95.838	217.41	22,287
1979	463	17,691	1,343.15	174,976	303.40	62.812
1980	632	26,529	1,330.89	301,199	420.27	127,016
1981	657	32,696	1,375.40	328,692	459.15	140,575
1982	644	33,466	1,520.37	339,845	527.20	153,786
1983	656	29,424	1,519.42	296,611	511.97	137.253

[continued]

[Continuation of preceding table]

Year	Drawn work ($10,000)	Garments ($10,000)	Toys ($10,000)
1952			
1957	1,318	784	9
1962	1,842	10,715	219
1965	3,947	4,171	622
1978	24,358	30,973	3,101
1979	32,298	48,429	4,228
1980	40,967	67,410	4.410
1981	46,155	81,887	4,552
1982	34,676	89,125	3,933
1983	36.798	99,032	3.465

Major Commodities Imported in Foreign Trade

Year	Grain		Sugar		Edible plant oil	
	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)	Quantity (tons)	Value ($10,000)
1952			5.3			
1957	16.7	1.474	11.9	1.595		
1962	492.3	36,051	99.6	10,268	3,371	140
1965	640.5	46,045	70.8	10,080	8,719	397
1978	883.2	100.170	129.9	26,448	188,679	11,180
1979	1,235.5	164,422	109.6	21,905	137,221	8,893
1980	1,342.9	225,846	91.2	29,372	99,090	6,729
1981	1,481.2	273,571	102.9	48,493	60,382	3,655
1982	1,611.7	291,411	217.7	72,071	42,380	2,452
1983	1,343.5	193,472	190.0	41,449	40,627	2,301

[continued]

[Continuation of above table]

Year	Rolled steel		Nonferrous metals		Chemical fertilizers	
	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)
1952	45.99		2.76		21.17	
1957	69.59	12,874	3.62	3,422	121.65	5,818
1962	23.01	6,741	3.85	2,134	124.07	4,769
1965	75.86	16,163	11.53	10,170	273.49	14,177
1978	863.76	303,741	39.53	48,686	733.33	51,967
1979	847.25	389,981	34.13	57,771	839.47	71,486
1980	500.64	249,626	29.28	60,883	1,001.75	117,647
1981	331.85	148,759	14.37	23,484	930.65	119,909
1982	393.78	184,128	49.72	60,237	1,110.82	112,196
1983	977.97	342,092	108.00	161,572	1,519.24	128,237

[continued]

[Continuation of preceding table]

Year	Natural rubber		Pulp		Cotton	
	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)
1952	2.49		3.78		7.68	
1957	12.62	8,241	1.22	172	4.77	4,185
1962	9.98	5,988	4.74	602	3.69	2,918
1965	13.61	6,995	8.14	1,381	19.94	14,695
1978	22.70	21,705	22.06	5,253	50.95	71,286
1979	24.61	30,560	23.90	8.417	54.86	84,917
1980	26.26	36,513	42.00	21,090	89.76	149,151
1981	13.16	15,674	65.44	31,555	76.61	153,012
1982	16.93	14,846	52.03	18,551	47.40	71,150
1983	22.75	23,500	78.08	28,552	22.31	33,854

[continued]

[Continuation of preceding table]

Year	Chemical fibers		Coal		Cement	
	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)	Quantity (10,000 tons)	Value ($10,000)
1952	0.11				1.43	
1957	0.92	635	6.70	82	17.73	300
1962	3.67	2,624	140.98	2,115	8.33	183
1965	5.81	4,109	198.65	2,359	30.64	430
1978	26.77	29,607	244.38	7,147	66.09	2,420
1979	21.55	33,113	214.99	6,918	177.05	8,506
1980	41.14	76,036	199.22	7,460	131.74	6,052
1981	62.90	122,818	193.40	5,512	118.24	4,425
1982	43.44	81,975	218.65	5,842	183.96	7,292
1983	39.77	42,728	214.02	5,807	249.06	10,913

Chapter 12. Continued Growth of State Finance

After liberation, China established a new socialist financial system which, through the accumulation and distribution of funds, has supported and catered to the needs of socialist revolution and construction with great success.

Continued Growth of State Finance on the Basis of Economic Development

Soon after liberation, living standards were low and financial resources were on the verge of depletion because the economic depression left over by the old society had not ended. In 1950, the state revenues amounted to only 6.5 billion yuan. After more than 30 years of construction, our national economy developed fairly rapidly with increased sources of state revenue. In 1983, state revenue totaled 124.9 billion yuan and was estimated to be 133.8 billion in 1984, a 19.6-fold increase over 1950. The growth of state finance has provided the necessary funds for China's economic and cultural constructions.

The sources of state revenues in socialist China have the following major features:

1. The state depends on domestic economic development as the main source of revenue. From 1950 to 1983, state revenues amounted to nearly 2 trillion yuan of which more than 98 percent came from domestic sources. While upholding the principle of independence, initiative, and self-reliance, we also strive for the necessary foreign aid. In the past 5 years, the state has borrowed 22.9 billion yuan of foreign funds which amounted to 4.1 percent of the total revenue. The utilization of foreign funds in combination with the importation of advanced technology has further strengthened our self-reliance.

2. Another source of state revenue is accumulations of socialist economy. Of our state revenues, 98 percent are turned in by enterprises and establishments of different economic forms, among which, the state sector accounts for 84 percent; the collective sector, 12 percent; and the others, about 2 percent. According to the income tax law proclaimed in 1980, income taxes are to be levied on people of the higher income brackets, but the total amount is less than 100 million yuan. For only a few years, the state issued bonds or treasury bonds to make up for the financial deficit to a certain extent, and these bonds have yielded a grand total of about 7.5 billion yuan, only 0.4 percent of the total volume.

3. Economic development is the basis of China's finance, and industrial production is the main pillar of its financial structure. China was an agricultural country soon after the founding of the People's Republic. Its industrial foundation was very weak, and the net industrial output value amounted to less than 20 percent of the national income. The source of revenue from industry was very limited. In 1950, only 30 percent of state revenues came from the industrial sector, less than from the agricultural

sector. After the basic completion of our socialist transformation and the development of socialist industrialization, the position occupied by industry in the national economy continued to rise, and in 1983, net industrial output value approached 200 billion yuan, 40-fold that of 1950 according to comparable prices, and its proportion in the national income rose to 41.9 percent. Industry then continued to grow as a source of revenue. In 1983, the profits delivered and the taxes paid by industrial enterprises were more than 100 billion yuan, and with the addition of the funds for the key projects of energy and transportation and the depreciation funds, the amount turned in by these enterprises amounted to 85 percent of the annual national revenue. At the same time, the state adopted a policy of "steady responsibility" in the levy of agricultural tax. For more than 30 years, the proportion of agricultural tax collected decreased from 29.3 percent in 1950 to 2.7 percent in 1983 of the total state revenues. The development of agricultural production also led to increased income for the peasants. Relatively speaking, their burden is gradually becoming lighter.

China's Socialist Revenues Collected From People and Spent on People

China's financial system is of a new type which guarantees the expansion of socialist production, the development of scientific, educational, and cultural undertakings, and the strengthening of national defense and state administration. In the final analysis, it is intended for the advancement of people's welfare.

1. The state has effectively promoted national economic development through investment in economic construction. From 1950 to 1983, the state spent on economic construction more than 1.1 trillion yuan, 56 percent of the total financial outlay. Of this amount, about 600 billion yuan, 30 percent of the total outlay, was spent on the development of industrial production; and more than 200 billion yuan, 11 percent of the total outlay, was spent in supporting agricultural production. These expenditures have played an important role in setting up an independent, complete industrial structure, supporting the collective economy and developing agricultural production.

2. Financially, the state has supported the development of scientific, educational, cultural, and public health undertakings. Since liberation, the CPC and government have always shown concern for these undertakings and have spent about 220 billion yuan, about 11 percent of the total financial outlay, on them in 1950-1983. Particularly after the 3d plenum, even under fairly difficult conditions, the state still allocated huge funds for intellectual investment and the development of spiritual civilization. From 1979 to 1983, the expenditures of the state on these items amounted to 88 billion yuan. Before the 3d Plenum of the 11th CPC Central Committee, state expenditures on scientific, educational, cultural, and public health undertakings were less than 10 percent of the total outlay. In 1983, they rose to 17 percent. State support has enabled these undertakings to develop rapidly.

3. The state ensures that the requirements of national defense, activities abroad, and civil administration are met. In the early post-liberation period, our national defense and other administrative expenditures amounted to only

several billion yuan; in 1983, they were increased to 27.93 billion yuan, approximately 3-fold that of 1952, thus ensuring proper administrative leadership over various domestic fields and the development of the judicial and civil affairs systems. Because of the faster development in economic construction and in education and scientific research and as a result of the improved international situation, the proportion of China's national defense and other administrative expenditures has gradually decreased. Apart from the abnormal years during the Second 5-Year Plan period and the 3 years of difficulty, their average proportions during the other periods of 5-year plans were as follows: First 5-Year Plan, 30 percent; Third 5-Year Plan, 26.6 percent; Fourth 5-Year Plan, 23.6 percent; Fifth 5-Year Plan, 21.4 percent; and the first 3 years of the Sixth 5-Year Plan, 21.8 percent. The general trend is a downward one, thus permitting the diversion of more funds to economic and cultural construction.

Uphold the Basic Principle of Keeping Receipts and Payments Balance, Possibly With Some Surplus in Receipts

For more than 30 years, China has mostly achieved a balance of receipts and payments. However, deficits occurred in some years. One cause of deficit was that because of our inexperience, receipts were not enough to cover payments. Another cause was the overextended capital construction front under the influence of "leftist" thinking. After the 3d Plenum of the 11th CPC Central Committee, the CPC and government took a series of measures to readjust the national economy, then seriously disproportioned, and to solve many outstanding problems related to people's livelihood in the aftermath of the "Great Cultural Revolution." The procurement prices for agricultural sideline products were raised by a wide margin and some rural taxes were either reduced or remitted so that the peasants could have an opportunity to rest and recuperate. The workers' wages were raised and a system of bonuses was adopted to increase the workers' income. Thus more funds had to be allocated for improving living conditions. At the same time, in an effort to stimulate the economy, the financial power of the enterprises and localities were expanded so that their financial resources could be more flexibly used. These measures inevitably led to reduction in state revenues and increase in spendings with serious deficits as the result. These deficits were hardly avoidable at the beginning of the economic readjustment. As the economic readjustment progressed along with the all-round reorganization of enterprises, investments in capital construction and other expenditures were reduced. The receipts and payments were basically balanced in 1980, the drop in revenue was halted and followed by an upswing in 1982, and the revenues increased by a wide margin in 1983. Our finance is now developing well. However, the present basic balance of receipts and payments is not stable enough, and the CPC and government are taking steps to improve the economic results of the enterprises and to increase revenues and reduce losses. They are also actively restructuring the economy, properly readjusting the relations of distribution, and carefully keeping their expenditures within the limits permitted by the revenues. It is hoped that in a few more years, the financial and economic situations of the state will take a turn for the better and a stable financial balance can be achieved. The state's financial system will then be able to play a more active role in promoting socialist modernization.

Total State Revenue and Expenditures

Unit: 100 million yuan

Year	Total revenue	Total expenditures	Difference
1950	65.2	68.1	- 2.9
1951	133.1	122.5	+ 10.6
1952	183.7	176.0	+ 7.7
1953	222.9	220.1	+ 2.8
1954	262.4	246.3	+ 16.1
1955	272.0	269.3	+ 2.7
1956	287.4	305.7	- 18.3
1957	310.2	304.2	+ 6.0
1958	387.6	409.4	- 21.8
1959	487.1	552.9	- 65.8
1960	572.3	654.1	- 81.8
1961	356.1	367.0	- 10.9
1962	313.6	305.3	+ 8.3
1963	342.3	339.6	+ 2.7
1964	399.5	399.0	+ 0.5
1965	473.3	466.3	+ 7.0
1966	558.7	541.6	+ 17.1
1967	419.4	441.9	- 22.5
1968	361.3	359.8	+ 1.5
1969	526.8	525.9	+ 0.9
1970	662.9	649.4	+ 13.5
1971	744.7	732.2	+ 12.5
1972	766.6	766.4	+ 0.2
1973	809.7	809.3	+ 0.4
1974	783.1	790.8	- 7.7
1975	815.6	820.9	- 5.3
1976	776.6	806.2	- 29.6
1977	874.5	843.5	+ 31.0
1978	1,121.1	1,111.0	+ 10.1
1979	1,103.3	1,273.9	- 170.6
1980	1,085.2	1,212.7	- 127.5
1981	1,089.5	1,115.0	- 25.5
1982	1,124.0	1,153.3	- 29.3
1983	1,249.0	1,292.5	- 43.5

State Revenue (Breakdown) Unit: 100 million yuan

Year	Enterprise income		Various taxes			Income from loans	Other income
	Total	Of which industrial income	Total	Of which Industrial commercial taxes	Of which Agricultural taxes		
1950	8.7	4.4	49.0	23.6	19.1	3.0	4.5
1951	30.5	12.1	81.1	47.5	21.7	8.2	13.3
1952	57.3	21.5	97.7	61.5	27.0	9.8	19.0
1953	76.7	27.8	119.7	82.5	27.1	9.6	16.9
1954	99.6	40.1	132.2	89.7	32.8	17.2	13.4
1955	111.9	48.8	127.5	87.3	30.5	22.8	9.9
1956	134.3	52.6	140.9	101.0	29.7	7.2	5.1
1957	144.2	59.3	154.9	113.1	29.7	7.0	4.1
1958	189.2	94.1	187.4	141.8	32.6	8.0	3.1
1959	279.1	154.4	204.7	157.0	33.0		3.3
1960	365.8	215.8	203.7	160.6	28.0		2.8
1961	191.3	80.4	158.8	120.5	21.7		6.0
1962	146.2	85.1	162.1	124.8	22.8		5.3
1963	172.7	129.6	164.3	131.0	24.0		5.3
1964	212.9	164.3	182.0	145.3	25.9		4.6
1965	264.3	216.5	204.3	165.5	25.8		4.7
1966	333.3	268.0	222.0	179.3	29.6		3.4
1967	218.5	163.2	196.6	157.4	29.0		4.3
1968	166.7	120.0	191.6	147.4	30.0		3.0
1969	286.7	203.1	235.4	191.3	29.6		4.7
1970	379.0	280.6	281.2	232.1	32.0		2.7
1971	428.4	316.4	312.6	268.2	30.9		3.7
1972	445.7	327.8	317.0	275.1	28.4		3.9
1973	457.0	346.4	349.0	301.4	30.5		3.7
1974	407.3	298.0	360.4	307.0	30.1		15.4
1975	400.2	333.1	402.8	348.0	29.5		12.6
1976	338.1	296.3	408.0	353.7	29.1		30.5
1977	402.4	326.3	468.3	400.9	29.3		3.8
1978	572.0	440.4	519.3	451.3	28.4		29.8
1979	492.9	451.2	537.8	472.7	29.5	35.3	37.2
1980	435.2	448.2	571.7	501.4	27.7	43.0	35.3
1981	353.7	415.9	629.9	538.4	28.4	73.1	32.8
1982	296.5	397.1	700.0	600.0	29.4	83.9	43.6
1983	240.5	398.6	775.6	643.8	32.8	79.4	153.5

Notes: 1. Income from loans includes foreign loans and domestic (treasury) bonds.

2. Enterprise income in 1980-1983 is less than industrial income because the fairly heavy losses incurred by grain enterprises offset the income of other enterprises.

State Expenditures (Breakdown) Unit: 100 million yuan

Year	Total	Capital construction allocations	(1)	Allocations for enterprise circulating funds	(2)	National defense expenditures	Administrative expenditures
1950	68.1	12.5			5.0	28.0	
1951	122.5	27.0			10.6	52.6	
1952	176.0	46.7		18.6	13.5	57.8	14.5
1953	220.1	70.3		13.8	19.0	75.4	17.5
1954	246.3	84.3	1.8	26.3	19.7	58.1	18.3
1955	269.3	88.5	3.1	30.8	19.8	65.0	18.7
1956	305.7	139.6	2.5	10.8	23.9	61.2	24.2
1957	304.2	123.7	2.3	20.8	27.8	55.1	21.7
1958	409.4	229.4	0.8	25.7	28.6	50.0	21.6
1959	552.9	302.3	2.2	54.3	36.5	58.0	26.6
1960	654.1	354.5	2.6	67.5	50.5	58.0	28.0
1961	367.0	110.2	2.7	29.4	41.2	50.0	26.8
1962	305.3	55.7	14.7	47.8	36.7	56.9	21.7
1963	339.6	80.2	18.3	36.7	38.0	66.4	23.5
1964	399.0	123.8	20.9	23.4	43.3	72.9	25.2
1965	466.3	158.5	25.2	27.6	45.6	86.8	25.3
1966	541.6	191.0	27.5	40.3	51.7	101.0	25.9
1967	441.9	161.3	10.3	29.1	48.6	83.0	22.8
1968	359.8	117.9	5.7	12.0	41.0	94.1	22.9
1969	525.9	206.2	10.7	26.6	41.0	126.2	24.8
1970	649.4	298.4	14.8	31.2	43.7	145.3	25.3
1971	732.2	309.6	26.4	35.3	52.3	169.5	30.9
1972	766.4	309.1	25.5	43.0	62.0	159.4	34.6
1973	809.3	317.2	25.5	53.8	69.9	145.4	35.6
1974	790.8	312.8	27.2	44.8	76.5	133.4	36.9
1975	820.9	327.0	31.5	41.8	81.3	142.5	38.8
1976	806.2	311.3	34.3	45.4	85.5	134.5	41.0
1977	843.5	300.9	39.5	65.7	90.2	149.0	43.3
1978	1111.0	451.9	63.2	66.6	112.7	167.8	49.0
1979	1273.9	514.7	72.0	52.1	132.1	222.7	56.9
1980	1212.7	419.4	80.5	36.7	156.3	193.8	66.8
1981	1115.0	330.6	65.3	22.8	171.4	168.0	70.9
1982	1153.3	309.2	69.0	23.6	197.0	176.4	81.6
1983	1292.5	382.8	78.7	12.9	223.5	177.1	102.2

Key: 1. For tapping enterprise potential, transformation, and trial manufacture of new products

2. Expenditures for cultural, educational, scientific, and public health undertakings

Chapter 13. Vigorous Development of Education, Science, Culture, Public Health, and Sports

In the past 30-plus years, China has achieved great success in education, science, culture, public health, and sports in addition to economic construction.

Education on the Advance Amidst Readjustment and Restructuring in Training Talents for the State

In old China, the laboring people were deprived of the rights of education. Only about 20 percent of the children of school age could attend schools, and the proportion of girl students was only 25 percent of all students. Culture and education in the countryside were even more backward, and most of the people were illiterate. After liberation, the party and government fundamentally transformed the old educational system into a new people's educational system. Despite the calamity suffered during the "Great Cultural Revolution," China's education still underwent great development. In 1983, there were in the cities and countryside of the whole country 971,000 schools of all types at various levels, and 183.85 million students, 2.8- and 7.1-fold those of 1949, respectively. Classified by types and levels, there were 805 ordinary high schools with 1,207,000 students, 10-fold that of 1949. Basically, every province, autonomous region, and municipality directly under the central government had its own vocational colleges for industry, agriculture, medicine, and teacher training. Many provinces and cities even had their comprehensive universities. There were 108,000 secondary schools with 46,865,000 students, 36.9-fold that of 1949, and 862,000 ordinary elementary schools with 135.78 million students, 5.6-fold that of 1949. The proportion of children of school age attending schools was raised to 94 percent and that of illiterates was lowered to 23.5 percent of the entire population. Primary education in the vast countryside has been gradually popularized, and the number of students attending schools there amounted to 80.1 percent of the total number. The cultural backwardness in the minority and frontier areas has also been greatly changed. The proportion of girls in the total number of students has been raised to 42.5 percent. Furthermore, to raise the scientific and cultural standards of adults, the localities have also carried out adult education at various levels. In 1983, 19,048,000 persons received adult education. Among them, 1,128,000 persons received higher adult education (including 926,000 regular and special students) 9,748,000 persons received secondary adult education, and 8,172,000 persons received primary adult education.

By running schools at various levels, of many specifications and in many different forms, the state has trained a large number of specialized personnel for economic and social development and turned out 42,000 graduate students in the past 30 and more years. Since the implementation of the "Academic Degrees Regulations" in 1983, the state has awarded doctor's degrees to 29 persons and master's degrees to 18,000 persons. At present, there are 37,000 graduate students studying for doctor's and master's degrees. The ordinary high schools have turned out for the state 4.11 million graduates of regular and special courses, 22-fold the grand total in 20 years before liberation.

To produce more talent and to accelerate the development of higher education, measures were taken to develop adult higher education in the forms of television colleges, correspondence schools, evening schools, and workers' universities in addition to the enlarged enrollment of ordinary high school students. From 1981 to 1983, the adult high schools of various types have turned out 389,000 regular and special graduates, 41.7 percent of the ordinary high school graduates in the same period. In 1984, the ordinary high schools planned to enroll 448,000 students, and the adult high schools planned to enroll 540,000 students. These numbers were the highest in history. In the past 30 and more years, through the secondary vocational schools and technical schools, the state has trained more than 7.22 million secondary professionals and more than 2.42 million technicians. They have played an active role in economic and social developments. In recent years, the state also gradually reduced the number of ordinary high and secondary schools and energetically developed secondary agricultural and vocational schools so as to build up a labor reserve with certain production skills.

China's achievements in education are inseparable from the painstaking efforts of the broad masses of teachers. In the past 30 and more years, the ranks of people's teachers have continued to expand. In 1983, there were 8,636,000 full-time teachers, 9.2-fold that of 1949, and 240,000 teachers of adult education at all levels.

Scientific and Technical Undertakings Full of Vitality and Oriented to Economy and Society

The party and government have attached great importance to the work of science and technology. Soon after liberation, they established the Chinese Academy of Sciences and various specialized research institutes. Along with the development of production, more and more departments and enterprises have established their own scientific research organs. At the end of 1983, there were 4,458 independent research organs of natural sciences above the prefectural and municipal levels in the country, in addition to a large number of nonindependent ones. The number of natural science technicians in the state-owned units reached 6,851,900, 16.1-fold that of 1952.

Thanks to the efforts of the scientific and technical workers, the scientific research results in China have reached or approached the advanced world standards. As far back as the 1950's, for example, China already made a breakthrough in the technology of smelting vanadium-titanium-magnetite in blast furnaces, which had been an unsolved problem in the world for more than 100 years; successfully cultivated the first short-stalk paddy rice strain in the world in addition to other short-stalk fine strains, all of which are now in popular use, and have helped raise paddy rice output per mu by a wide margin. In 1961, it successfully manufactured the first set of ruby laser equipment which placed China among the early countries conducting laser research in the world. In 1965, it was the first to succeed in the artificial synthesis of insulin. Despite the difficult working conditions during the "Great Cultural Revolution," many scientific and technical personnel still managed to achieve gratifying results. In 1970, China launched its first artificial satellite, and in 1975, it mastered the technology for the return of the satellite to earth.

In 1978, the CPC Central Committee held a national science conference and confirmed the key position occupied by the modernization of science and technology in China's four modernizations program. Particularly since implementation of the central authorities' new policy that "economic construction must depend on science and technology, while science and technology must be oriented to economic construction," the number of scientific and technological achievements has markedly increased. In 1983, the state made 5,400 such achievements, 1.9-fold that of 1979, and 214 of them, 5.1-fold the number of 1979, have been approved by the state as new inventions. Many of these inventions have already played important roles in economic construction and social development. For example, the hybrid rice of the long-grained nonglutenous type which won a special invention award, was planted over 330 million mu in 1978-1982, and increased grain output by 33 billion jin. The large-scale use of the technology of planting rubber trees between 18 degrees and 24 degrees north, which won a first-class invention award, has placed China fourth in rubber plantation area and sixth in rubber output in the world. A great breakthrough was also made in the science and technology of comprehensive utilization of associated mineral resources in Panzhihua, Baotou, and Jinzhuan. This breakthrough not only enabled these enterprises to turn their losses into profits, but also greatly improved the ecological environment, and helped the state increase the output of many precious metals and rare earth metals. In 1980, China successfully launched a carrier rocket at a designated area in the Pacific Ocean, and in 1982, launched a submarine-based carrier rocket. These achievements showed that China's carrier rocket technology was already up to the advanced world standards. In 1983, the successful manufacture of the "Galaxy" Supercomputer, which is capable of performing more than 100 million operations per second, has filled a blank in China's technology for large computers. The recent successful launching and positioning of an experimental communications satellite of advanced world standards also indicated a new leap in our space technology. The speed of our scientific and technological development in catching up with the advanced world standards is of great significance to the acceleration of our socialist modernization.

Thriving Cultural Work Firmly Adhering to the Orientation of Serving the People and Socialism

After liberation, guided by the party's principle of "letting a hundred flowers blossom and a hundred schools of thought contend," cultural work has developed very rapidly. During the "Great Cultural Revolution," however, the cultural departments became a disaster area, and cultural work was on its last legs. After 1978, when things had been set right, cultural work entered a period of new development. The cultural organs were reactivated one after another, the cultural workers regained social respect, and the thriving cultural work played an active role in developing socialist spiritual civilization.

In 1983, there were 19 film studios, 16 more than in 1949, which produced a total of 1,270 feature films, 537 animated cartoons, 5,010 science and education films, and 8,680 documentary films. The quality and quantity of films continued to improve. In 1983, the number of movie-projection units reached 162,000, 251-fold that of 1949. Now, 97 percent of the peasants could see movies in their own villages (or production teams). In 1983, the number of troupes of various types reached 3,444, 3.4-fold that of 1949. Literary and artistic creation was more closely related to the contemporary social life, and various arts of national tradition entered a new age of prosperity. In 1983, there were 2,038 public libraries, 37.1-fold the number of 1949; 467 museums, 22.2-fold the number of 1949; and 2,946 cultural halls, 3.3-fold that of 1949. In accordance with the central authorities' requirements that all the small towns in the country should become local centers of political, economic and cultural activities, the townships (or communes) have used the collective funds and mass resources to set up 7,949 rural township cultural centers serving as the bases for conducting socialist ideological education, popularizing science and technology among the peasants, developing various cultural and sports activities, and changing the cultural backwardness in the countryside.

In 1983, there were throughout the country 122 broadcasting stations, 2.5-fold the number of 1949; 52 TV centers and 385 TV transmitting and relay stations of more than 1,000 watts. There were 2,619 wired broadcasting stations in the counties, 238-fold the number of 1949. Along with the improvement in the material life of the urban and rural population, the number of TV sets and radios owned by the people has greatly increased to enrich cultural life.

Publication has also developed rapidly. In 1983, 15.51 billion copies of newspapers above the provincial level were published in the country, 9.6-fold the number of 1952. The number of magazines of all types published reached 1.77 billion copies, 8.9-fold the number in 1952; and that of books was more than 5.8 billion copies, 7.3-fold that of 1952.

Implementation of the "Prevention First" Principle With Particular Emphasis on the Countryside

Medical and public health conditions were very poor in old China. There were frequent outbreaks of epidemics and people's state of health was so poor that they were called the "sick men of Asia." Since the founding of the People's Republic, our public health work has continued to develop. In 1983, the number of hospitals at all levels in the country was increased from 2,600 in 1949 to 66,662, an increase of 24.6-fold. A medical and public health network had been basically established in the country. There were 2.11 million hospital beds, 26.4-fold the number of 1949, and 58.8 percent of them, 62-fold the number of 1949, were directly serving the countryside. The total number of professional public health technicians reached 3,253,000, 6.4-fold that of 1949, including 1,353,000 doctors, 3.73-fold the number of 1949, and 313,000 traditional medical workers. Public health work in the minority areas developed even more rapidly, because of the originally weak foundation. There were 11,349 hospitals, 49.3-fold the number of 1949; and 273,000 sanatorium beds, 82.5-fold the number of 1949.

Along with the development of public health, the power of immunity has also continued to increase, and the mortality rate greatly decreased. Smallpox, plague, classic cholera, black fever, recurrent fever, typhus, and syphilis have been wiped out or basically wiped out; while diphtheria, scarlet fever, meningitis, poliomyelitis, whooping cough, and measles have been effectively controlled. In the early post-liberation period, schistosomiasis, which occurred in 347 counties of the 12 southern provinces, was stamped out in 56 counties and basically stamped out in another 191 counties. Of some epidemic and endemic diseases, the rate of outbreak and the rate of contraction have dropped in varying degrees. China's mortality rate has dropped from 25 to 33 per thousand before liberation to 7.1 per thousand. The infant mortality rate has also dropped from 200 per thousand to 35 per thousand. The average life expectancy of Chinese people is nearly double what it was before liberation.

Chinese Sportsmen Upgraded on the Basis of Popularization Now Aiming at World Titles After Victories in Asia

Socialism has provided good opportunities for the Chinese people's participation in sports activities. Along with the development of socialist economy and the improvement of people's material and cultural lives, people are actively participating in various types of sports. There are now more than 2,000 spare-time sports schools with more than 200,000 students. Basic training points and sports training classes in various forms have also been set up for training and supplying fine sportsmen and their reserve strength to the sports teams and spare-time sports schools at various levels.

In the past 30 and more years, our sportsmen have not only set new records after smashing 10,379 national records; 237 of them have even smashed 108 world records on 269 occasions. In the World Gymastics Championships and the World Cup Gymnastics competitions, 139 sportsmen won 122 world championships in 53 events. Particularly in the 5 short years after the 3d Plenum of the 11th CPC Central Committee, they broke 92 world records, 34 percent of the total score, and won 92 world championships, 75 percent of the total score in the World Gymnastics Championships. In 1982, in the Ninth Asian Games, our sportsmen won the largest number of gold medals which gave China its reputation as a strong athletic country of Asia. At present, one-third of our sports events have approached or reached advanced world standards.

Number of Regular Students in Various Grades

Unit: 10,000 persons

Year	Total	Institutes of higher learning	Secondary schools					Primary schools
			Total	Ordinary schools	Vocational	(1)	Technical	
1949	2,577.9	11.7	127.1	103.9	22.9		0.3	2,439.1
1952	5,445.1	19.1	316.0	249.0	63.6	1.9	1.5	5,110.0
1957	7,187.2	44.1	714.8	628.1	77.8	2.2	6.7	6,428.3
1962	7,846.4	83.0	839.5	752.8	53.5	27.2	6.0	6,923.9
1965	13,138.4	67.4	1,450.1	933.8	54.7	443.3	18.3	11,620.9
1978	21,385.0	85.6	6,675.4	6,548.3	88.9		38.2	14,624.0
1983	18,385.2	120.7	4,686.5	4,397.7	114.3	122.0	52.5	13,578.0

Key: 1. Industrial and agricultural secondary schools and agricultural vocational secondary schools

Proportion of Female Students in Total Number of Students in Various Grades

Unit: Percent

Year	Total	Institutes of higher learning	Secondary schools			Primary schools
			Total	Of which:		
				Ordinary	Vocational	
Pre-liberation	25.2	17.8	20.3	20.0	21.4	25.5
1952	32.3	23.4	23.8	23.5	25.0	32.9
1957	34.0	23.3	30.2	30.8	26.5	34.5
1965	38.7	26.9	32.7	32.2	40.9	39.3
1978	43.7	24.1	41.4	41.5	33.1	44.9
1983	42.5	26.9	39.4	39.5	35.9	43.7

Number of Graduates of Ordinary High Schools, Secondary Vocational Schools, and Technical Schools

Unit: 10,000 persons

	Grand total before liberation	1949-1983 total	Of which:		
			1949-1965	1966-1978	1979-1983
Graduates from institutes of higher learning	18.5	411.02	155.44	139.19	116.39
Engineering	3.2	143.50	53.06	54.31	36.13
Agriculture	1.3	35.59	14.71	12.63	8.25
Medicine	0.9	49.66	16.66	20.79	12.21
Teacher training	2.1	104.59	39.20	24.46	40.93
Liberal arts	2.4	24.58	8.26	10.51	5.81
Physics	1.6	30.11	11.24	11.08	7.79
Finance and economics	1.9	13.06	7.13	2.79	3.14
Political science and law	5.1	3.24	2.31	0.48	0.45
Sports		3.71	1.41	1.21	1.09
Art		2.98	1.46	0.93	0.59
Secondary vocational school graduates	54.67	722.36	295.85	224.80	201.71
Engineering		152.09	73.76	42.94	35.39
Agriculture		71.91	34.14	19.92	17.85
Teacher training		327.33	135.89	101.36	90.08
Medicine		108.05	37.02	40.51	30.52
Finance and economics		49.02	11.99	14.88	22.15
Political science and law		2.44	—	—	2.44
Sports		1.89	0.93	0.38	0.58
Art		4.83	1.45	2.01	1.37
Others		4.80	0.67	2.80	1.33
Technical school graduates		242.49	59.48	53.26	129.75

Note: The number of graduates from institutes of higher learning before liberation is the total of the 20 years from 1928 to 1947, while that of secondary vocational school graduates is the total of the 16 years from 1931 to 1946.

Number of Adult Education Students in Various Grades

Unit: 10,000 persons

Categories	1981	1982	1983
National total	1,928.9	1,954.3	1,904.8
I. Adult higher education	134.6	117.3	112.8
Of which: regular and vocational courses	53.6	64.4	92.6
1. TV universities	26.8	34.7	47.9
Of which: regular and vocational courses	17.0	25.8	41.4
2. Workers universities and peasants universities	25.0	14.4	17.4
Of which: regular and vocational courses	10.0	14.4	17.4
3. Correspondence schools and evening schools	24.1	20.8	27.2
4. Administrative cadres colleges			0.2
5. Pedagogic and teachers' advanced training schools	58.7	47.4	20.1
Of which: regular and vocational courses	2.5	3.4	6.4
II. Adult secondary education	820.7	1,080.4	974.8
1. Secondary technical schools	311.9	326.4	236.6
2. Secondary schools	376.6	635.0	644.5
3. Primary school teacher refresher course	132.2	119.0	93.7
III. Adult primary education	973.6	756.6	817.2
1. Primary class	352.3	360.6	288.5
2. Literacy class	132.3	396.0	528.7

Full-Time Teachers in Schools and in Adult Education (1983)

Unit: 10,000 persons

	Total	Higher education	Secondary education	Primary education
Schools of various categories and in various grades	863.6	30.3	290.8	542.5
Adult education in various grades	24.0	5.5	13.4	5.1

Number of Graduate Students and Persons Awarded Doctor's and Master's Degrees

Unit: Person

	Total
Number of graduate students in 1949-1983	41,803
Number of academic degrees awarded since the implementation of regulations concerning academic degrees in 1981	
Doctor's degree	29
Master's degree	18,143
Regular graduate students in September 1983	37,137

Composition of National Population by Educational Standards

Unit: 10,000 persons

		Second General Census (1 July 1964)	Third General Census (1 July 1982)	Population composition	
				1964	1982
National population		69,122	100,393	100.0	100.0
Of which:	University	288	602	0.4	0.6
	Senior secondary	912	6,648	1.3	6.6
	Junior secondary	3,235	17,828	4.7	17.8
	Primary	19,582	35,516	28.3	35.4
Illiterates and semiliterates (age 12 and over)		26,340	23,582	38.1	23.5

Note: This table shows the figures of 29 provinces, autonomous regions, and municipalities, but does not include active servicemen.

Number of Natural Science Technicians in State-Owned Units

		1952	1960	30 June 1978	1983
I.	Total number (10,000 persons)	42.50	196.89	434.51	685.19
	Engineers	16.40	82.07	157.12	280.23
	Agrotechnicians	1.50	16.73	29.42	40.47
	Public health personnel	12.64	51.78	127.56	193.41
	Scientific research workers	0.80	9.05	31.03	32.81
	Teachers	11.16	37.26	89.38	138.27
II.	Percentage of total number	100.00	100.0	100.0	100.0
	Engineers	38.6	41.7	36.1	40.9
	Agrotechnicians	3.5	8.5	6.8	5.9
	Public health personnel	29.7	26.3	29.4	28.2
	Scientific research workers	1.9	4.6	7.1	4.8
	Teachers	26.3	18.9	20.6	20.2
III.	Average number of natural science technicians per 10,000 people (persons)	7.4	29.7	45.7	67.1
IV.	Average number of natural science technicians in state-owned units (persons)	269	390	593	781

Composition of Natural Science Technicians in State-Owned Units (1983)

Unit: Percent

	Total	Engineers	Agrotechnicians	Public health personnel	Scientific research workers	Teachers
National total	100	100	100	100	100	100
Of which:						
1. Females	31.6	17.6	14.5	58.9	28.1	27.9
2. Minority people	4.0	2.8	8.3	5.0	2.6	4.3
3. People with higher education	45.4	50.5	36.0	26.2	76.8	57.3
4. Scientific and technical personnel above middle grade	20.9	30.6	15.4	8.6	54.2	12.1
Of which: high-grade scientific and technical personnel	1.2	0.8	0.2	0.8	4.4	1.9
5. People under 45	74.8	71.3	75.4	77.4	69.0	79.7
People 46-60	24.3	27.8	23.9	21.7	29.5	19.4

Number of Major Research Achievements in Science and Technology

Unit: Number

	1979	1980	1981	1982	1983
Number of major research achievements	2,790	2,600	3,100	4,100	5,400
Of which: Number of inventions and discoveries approved by the state	42	107	120	149	214

Growth Indicators for Culture, Radio, and Television Broadcasting

	1949	1952	1957	1965	1978	1983
Movie studios	3	4	11	16	12	19
Film projecting units	646	2,285	9,965	20,363	115,946	162,153
Of which: cinemas, other theaters auditoriums, clubs	596	746	1,030	2,528	4,749	14,974
film projection teams (10,000)		0.11	0.67	1.40	8.88	13.15
Performing art troupes	1,000	2,084	2,884	3,458	3,150	3,444
Theaters	891	1,510	2,296	2,943	1,095	1,688
Cultural halls	896	2,430	2,748	2,598	2,748	2,946
Public libraries	55	83	400	577	1,256	2,038
Museums	21	35	72	214	349	467
Broadcasting stations	49	72	61	87	93	122
Wired broadcasting loud-speakers in counties, cities	11	331	1,698	2,365	2,553	2,619
Wired broadcasting loud-speakers (10,000)	0.09	1.7	94.1	872.5	11,212	8,458
TV centers				12	32	52
TV transmitting and relay stations of more than 1,000 watts						385

Movie Output

Year	Feature films	Animated cartoons	Science and education films	Documentaries
1949-1983 total	1,270	537	5,010	8,680
Of which:				
1949	6			42
1952	4	2	41	157
1957	40	5	84	272
1962	34	17	94	133
1965	52	21	240	378
1978	46	26	289	203
1983	127	37	343	344

Books, Magazines, and Newspapers Published

Year	Books		Magazines		Newspapers	
	Varieties	No of copies (100 million)	Varieties	No of copies (100 million)	Varieties	No of copies (100 million)
1950	12,153	2.7	295	0.4	382	8.0
1952	13,692	7.9	354	2.0	296	16.1
1957	27,571	12.8	634	3.2	364	24.4
1962	16,548	10.9	483	2.0	273	25.8
1965	20,143	21.7	790	4.4	343	47.4
1970	4,889	17.9	21	0.7	42	46.5
1975	13,716	35.8	476	4.4	180	109.7
1978	14,987	37.7	930	7.6	186	127.8
1983	35,700	58.0	3,415	17.7	340	155.1

Note: Figures for newspapers in 1970 and 1979-1983 are for national and provincial newspapers. Those in 1950-1965, 1975, and 1978 include newspapers at the prefectural level.

Number of Health Institutions and Hospital Beds

Unit: 10,000 persons

Year	Health institutions		Hospital beds (10,000)			Hospital beds per 1,000 persons
	Total	Of which: hospitals	Total	Of which: countryside	Percentage in countryside	
1949	3,670	2,600	8.0	2.0	25.0	1.5
1952	38,987	3,540	16.0	3.9	24.4	2.8
1957	122,954	4,179	29.5	7.4	25.1	4.6
1965	224,266	42.711	76.6	30.8	40.2	10.6
1978	169,732	64,421	185.6	114.0	61.4	19.4
1983	196,017	66,662	211.0	124.1	58.8	20.7

Personnel in Health Institutions

Unit: 10,000 persons

Year	Total	Of which: medical technicians						No of doctors per 10,000 persons
		Total	Doctors				Senior nurses and nurses	
			Sub-total	Native doctors	Western doctors (senior)	Western doctors		
1949	54.1	50.5	36.3	27.6	3.8	4.9	3.3	6.7
1952	81.9	69.0	42.5	30.6	5.2	6.7	6.1	7.4
1957	125.4	103.9	54.7	33.7	7.4	13.6	12.8	8.4
1965	187.2	153.2	76.3	32.1	18.9	25.3	23.5	10.5
1978	310.6	246.4	103.3	25.1	35.9	42.3	40.7	10.8
1983	409.0	325.3	135.3	31.3	58.8	45.0	59.6	13.3

Notes: 1. This table does not include those health workers in urban and rural areas who are not released from their regular work.

2. The subtotal of doctors in 1983 includes 2,000 senior combined native and Western doctors.

Mass Sports and Athletes of Various Grades

Year	No of those up to state standards for training (10,000)	No of sports meets at or above county level	Graded sportsmen		
			Total	Of which:	
				Master sportsmen	Grade-1 athletes
1953		246			
1957	156.8•	15,595	67,894	149	1,218
1965	39.2	20,873	139,027	405	862
1978	423.0	19,019	729	67	36
1980	855.7	22,753	47,214	1,147	804
1981	1,014.3	22,983	58,716	910	1,045
1982	844.8	26,281	66,761	691	828
1983	2,529.3	25,360	59,596	818	787

Notes: 1. Asterisk denotes the number of qualified persons under the labor and health system.

2. The number of graded athletes includes newly emerging athletes.

World and National Records Broken

Year	World records broken			World championships won		
	Events	Times	Persons	Events	Times	Persons
1952-1983 total	108	269	237	53	122	139
1957	3	3	3			
1965	28	41	66	5	5	9
1978	3	3	6	4	4	4
1979	13	26	32	12	12	20
1980	7	15	17	3	3	3
1981	8	18	15	25	25	53
1982	11	15	16	12	13	31
1983	13	18	25	37	39	50

Chapter 14. An Increasingly Mature and Robust Work Force

Along with the economic and social developments in the past 30 and more years, China's work force has been constantly strengthened and the workers' quality markedly improved.

More and More People Given Jobs

Because of the backward economy in old China, many people were unemployed and deprived of the opportunity for education. After liberation, on the basis of a vigorous development of production, the party and government adopted methods of labor recruitment, training, transferring to new jobs for training, giving jobs in lieu of charity, offering relief funds, and so forth, and in only a few years, solved the problem of employment left over from the old society for 4 million people. More young people who could not attend schools and women at home were able to participate in social labor. In 1957, the number of social laborers in the cities reached 32.05 million, more than doubling that of 1949. With full employment, the country was full of vitality. Under the "leftist" influence during the "Great Cultural Revolution," more than 16 million intellectual youths were sent to the countryside and, at the same time, large numbers of workers were recruited from the countryside, resulting in unnecessary to-and-fro movements of a huge labor force. Many intellectual youths returned to the cities after the smashing of Jiang Qing's counterrevolutionary clique, and the newly matured laborers in the cities also needed placement. Therefore, huge numbers of people were waiting for jobs in the cities, and unemployment once again became a serious social problem. After the 3d Plenum of the 11th CPC Central Committee, the policy of "a combination of assignments by the labor departments, voluntarily organized employment and self-employment, all under the guidance of unified state plans" was adopted in coordination with the readjustments of the industrial and ownership structures in order to support collective and individual economies, strengthen the light and textile industries and commerce, and develop the catering and service trades as a means of increasing job opportunities. The work of labor employment yielded very good results. From 1979 to 1983, more than 39 million people were given jobs in the cities, averaging 7.83 million a year. At the end of 1983, the number of urban workers reached 117.46 million, a 6.7-fold increase over the end of 1949. In many regions, the job-awaiting people left over from the end of 1982 were basically employed. The continued increase in the number of employed not only met the needs of developing production and construction, but also helped raise living standards and promote social stability and unity.

Among the social laborers in the cities, 115.15 million were workers and staff members. Their number was 87.71 million, a 10-fold increase over the 8 million of 1949 in the state sector, and 27.44 million, a 294-fold increase over the 90,000 of 1949 in the collective sector.

System of Labor Insurance and Welfare Widely Practiced

In old China, only some government-run enterprises (such as posts and telecommunications and railways) provided some token forms of labor insurance and material benefits sporadically, while the workers of most enterprises had no labor insurance and even less material benefits to speak of. They had no material safeguard against hardship caused by additions to their families, old age, illness, death, injury, or disability. Since liberation, the party and government have shown great concern for the workers' hardship. In 1951, the "Regulations Concerning Labor Insurance of the PRC" was proclaimed and enforced among the enterprises engaged in industry, building industry, posts and telecommunications and communications and transportation. Soon, various systems of labor insurance and free medical treatment were introduced among the state organs and establishments. Since then, the scope of enforcement has been gradually expanded to include all state-owned and most collective-owned enterprises. At present, more than 90 percent of the workers in China can have free medical treatment whenever they are ill; can retire in old age; and can obtain dependable material aid from the state or the enterprises whenever they are temporarily incapacitated or after retirement. At the same time, the state and the enterprises introduced various collective welfare facilities, such as mess halls, nurseries, bathhouses, and barbershops; provided welfare subsidies for the transportation of workers coming on or going off duty, their heating in winter, and their living expenses in case of hardship, in addition to reduction of or exemption from house rents. These measures have greatly reduced the workers' burden and relieved them of further worry. By the end of 1983, the number of retired and resigned workers exceeded 12.9 million.

Ratio of Female Workers on the Rise

Since liberation, the principle of sex equality has opened vast possibilities for female employment. Many women have participated in social labor and contributed their wisdom and ability to the socialist revolution and socialist construction. The sex composition of workers was changed. At the end of 1949, there were less than 610,000 female workers in the country, only 7.5 percent of the total number of workers. At the end of 1983, their number was increased to 42 million, 68-fold that of 1949, and accounted for 36.5 percent of the whole work force. In the enterprises engaged in light and textile industries, sewing, catering and service trades, and public health, they accounted for more than 50 percent of the work force and 27 percent of the total number of cadres. Increased job opportunities for women have played a positive role in promoting economic development, improving people's living conditions, raising the scientific and cultural standards of the nation, and realizing sex equality.

Employment Structure Becoming Rational

In the past 30 and more years, the ratios of worker distribution among different departments did not work out smoothly. During the First 5-Year Plan, industry, agriculture, the construction industry, communications and transportation developed fairly rapidly, and the ratio of workers in these sectors rose from 49.9 percent in 1959 to 55.2 percent in 1957. The ratio of workers in commerce, catering and service trades, cultural, educational and public health undertakings, urban public utilities, and banking departments--all of which are closely related to people's daily life--also rose from 31 percent in 1949 to 35.8 percent in 1959, thus basically meeting the needs of production, construction, and livelihood. In 1958, the national economy was seriously imbalanced, and the ratio of workers under the former category sharply rose to 74.8 percent, while the ratio in the latter category dropped to 20.3 percent. In 1965, after several years of readjustment, the former dropped to 63.1 percent while the latter returned to 31 percent. The proportionate relationship began to become harmonious. During the "Great Cultural Revolution," the distribution of workers among various departments again became disproportioned. In 1976, the former again rose to 70.4 percent, and the latter dropped to 25.1 percent, causing great inconvenience to the people. After the 3d Plenum of the 11th CPC Central Committee and guided by the principle of "readjusting, restructuring, consolidating, and improving," the national economy developed proportionately and steadily, and the industrial structure for workers again became rational. In 1983, the former dropped to 67.1 percent and the latter returned to 27.8 percent. At the same time, in some new undertakings, such as environmental protection and tourism, a fairly large and strong contingent was gradually formed in these undertakings. In the past 30 and more years, the party and government adopted a series of measures to streamline the administrative organs, and the ratio of workers in the government and mass organizations was time and again reduced, from 19.1 percent in 1949 down to 5.1 percent in 1983.

Professional, Technical Personnel Fast Maturing

Since the founding of the People's Republic, the party and government have adopted a series of measures for training professional and technical personnel. In 1952, in the state-owned units, there were 390,000 professionals and technicians of various types. In 1983, this number was increased to 10.18 million, a 25-fold increase. The number of engineers increased 20-fold; that of agricultural and forestry technicians, 28-fold; that of scientific research personnel, 376-fold; that of public health technicians, 10-fold; and that of teachers, more than 50-fold. Others (including those engaged in newspaper publication, literature and art, translation, accounting, statistics, law, and so forth) have also greatly increased. The average number of professional and technical personnel per 10,000 was increased from 247 in 1952 to 1,161 in 1983. These fast-maturing professionals and technicians have played a very important role in promoting the development of socialist material and spiritual civilization.

Marked Improvement in Worker Quality

In the past 30 and more years, the state has actively developed education for workers in order to raise their cultural and technical standards. In 1949, only 280,000 workers, 4 percent of the total number, attended spare-time schools. In 1978, the number was increased to nearly 10 million, more than 10 percent of the total number. Since the 3d Plenum of the 11th CPC Central Committee, adult education at all levels was further developed, and by the end of 1983, more than about one-fourth of all workers in the country had entered schools of various types for training or advanced study. The number of these students reached 10 million, and attending political, business, culture, and science classes became popular for workers. Their political consciousness, work efficiency, and scientific and cultural accomplishments were greatly enhanced. According to statistics of relevant departments, the proportion of cadres of university standard was raised from 5.1 percent in 1952 to 21.2 percent in 1983.

Preliminary Reform in Labor System

For a long time, the state was in overall charge of employment and allocation of labor, while the enterprises had no say in personnel disposition, and the workers, once assigned to any unit, could never be separated from it. Since the 3d Plenum of the 11th CPC Central Committee, the system of economic responsibility was enforced along with enterprise reorganization, and the irrational labor system is now being reformed step by step. In the enterprises, the system of contract labor has begun on a trial basis and the principle of choosing the most qualified for employment was firmly upheld. At the end of 1983, the number of contract laborers in state-owned units was increased to more than 570,000. At the same time, some regions and departments also tried publicly advertising job openings, permitted the movement of personnel within certain limits, and practiced the democratic election of cadres. Some scientific and technical personnel at the forefront of agricultural and forestry production and some skilled workers, scholars, and experts have also signed technical contracts with the state agricultural and forestry farms, production teams, and specialized households and set up a system of technical responsibility. These measures have begun to produce good results. Along with the restructuring of the labor system, the workers' enthusiasm will be further aroused in promoting the development of the four modernizations.

Number of Laborers (Yearend number)

Unit: 10,000 persons

Year	Number of laborers				Index (1952 = 100)
	Total	Workers	Urban individual workers	Rural collective and individual workers	
1949	18,082	809	724	16.549	87.2
1952	20.729	1.603	883	18.243	100.0
1953	21.364	1.856	898	18,610	103.1
1954	21,832	2,002	742	19,088	105.3
1955	22.328	2.162	640	19,526	107.7
1956	23,018	2,977	16	20,025	111.0
1957	23,771	3,101	104	20,566	114.7
1958	26.600	5.194	106	21,300	128.3
1959	26,173	5,275	114	20,784	126.3
1960	25,880	5,969	150	19,761	124.8
1961	25,590	5,171	165	20,254	123.5
1962	25,910	4.321	216	21,373	125.0
1963	26,640	4.372	231	22,037	128.5
1964	27,736	4,601	227	22,908	133.8
1965	28,670	4,965	171	23,534	138.3
1966	29,805	5,198	156	24,451	143.8
1967	30,814	5,305	141	25,368	148.7
1968	31.915	5,504	126	26.285	154.0
1969	33,225	5,714	111	27,400	160.3
1970	34.432	6.216	96	28,120	166.1
1971	35,620	6,787	81	28,752	171.8
1972	35,854	7.134	66	28,654	173.0
1973	36,652	7,337	51	29.264	176.8
1974	37,369	7,651	36	29,682	180.3
1975	38,168	8,198	24	29,946	184.1
1976	38,834	8,673	19	30,142	187.3
1977	39,377	9.112	15	30.250	190.0
1978	39,856	9.499	15	30,342	192.3
1979	40,581	9,967	32	30,582	195.8
1980	41,896	10.444	81	31.371	202.1
1981	43,280	10,940	113	32,227	208.8
1982	44,706	11.281	147	33,278	215.7
1983	46.004	11.515	231	34.258	221.9

Number of Workers in Various State-Owned Units (Yearend number)

Unit: 10,000 persons

Year	Industry	Construction and prospecting	Agriculture, forestry, water conservation, meteorology	Transportation, posts and telecommunications	Commerce, catering, service, and material supply and marketing	Urban public utilities	Scientific research, culture, education, public health, welfare	Banking and insurance	Government and mass organizations
1952	510	104.8	23.9	112.9	292.3	4.1	239.2	34.4	258.5
1953	594	179.4	42.0	124.7	296.5	6.0	270.8	37.7	274.4
1954	610	173.7	38.1	140.5	330.9	6.1	283.8	36.7	261.6
1955	580	186.8	51.6	148.1	340.6	10.5	270.3	35.7	283.6
1956	717	300.2	82.7	156.4	494.3	19.7	321.1	37.3	294.3
1957	748	271.4	112.3	166.5	488.7	21.8	327.3	36.2	278.9
1958	2,316	639.6	194.0	252.3	454.3	25.6	377.3	27.0	246.7
1959	1,993	664.2	289.5	280.1	553.1	32.9	448.6	26.2	273.0
1960	2,144	692.8	423.3	331.8	564.5	39.0	527.3	25.3	295.4
1961	1,597	397.2	421.9	297.9	546.2	37.2	532.7	25.6	315.1
1962	1,178	244.5	358.4	236.9	500.6	35.3	469.0	28.6	257.2
1963	1,119	265.7	372.7	227.6	497.0	36.7	477.1	29.9	267.7
1964	1,159	318.7	387.7	233.4	517.0	40.4	497.9	35.7	274.9
1965	1,238	383.0	422.0	245.0	550.0	44.0	533.0	36.0	287.0
1966	1,324	418.0	466.0	253.0	570.0	45.0	540.0	35.0	283.0
1967	1,382	392.0	477.0	256.0	588.0	47.0	550.0	36.0	278.0
1968	1,492	379.0	521.0	279.0	588.0	49.0	545.0	37.0	280.0
1969	1,630	393.0	531.0	282.0	589.0	48.0	536.0	35.0	291.0
1970	1,959	431.0	566.0	296.0	619.0	49.0	537.0	33.0	302.0
1971	2,238	475.7	607.4	324.5	680.2	54.7	582.7	33.2	326.9
1972	2.350	504.0	623.0	340.0	723.0	58.0	656.0	35.0	321.0
1973	2,397	513.1	650.8	351.6	740.8	62.4	683.3	35.1	323.8
1974	2,494	525.4	679.7	370.7	777.2	68.0	714.5	36.0	341.1
1975	2,691	558.5	723.3	399.5	829.5	74.7	755.1	36.6	357.6
1976	2.866	597.0	774.7	430.0	889.5	81.7	804.1	37.5	379.6
1977	3,015	614.1	821.9	452.2	931.8	87.4	841.9	38.8	395.4
1978	3,041	661.4	834.2	449.9	969.5	97.3	941.0	40.9	416.6
1979	3,109	671.2	810.4	463.9	1,027.8	110.9	998.1	50.4	451.0
1980	3,246	674.4	805.2	479.3	1,082.1	121.8	1.071.1	62.5	477.1
1981	3.407	669.2	809.5	502.3	1,144.5	131.5	1,131.0	70.8	506.7
1982	3,503	678.5	805.3	515.1	1,179.7	137.2	1.175.0	73.8	562.7
1983	3.552	695.4	803.1	526.0	1.201.0	141.7	1,198.8	76.8	576.0

Number of Workers in Various Urban Collective-Owned Units

Unit: 10,000 persons

Year	Total	Industry	Construction	Agriculture, forestry, animal husbandry, sideline, and fishery	Transportation, posts and telecommunications	Commerce, catering, service, and material supply, and marketing	Scientific research, culture, education, public health, and welfare	Administrative departments	Others
1952	23	23							
1953	30	30							
1954	121	121							
1955	254	221				33			
1956	554	334	126		18	48	21		7
1957	650	274	20		118	167	65		6
1958	662	200	20	172	93	106	51	10	10
1959	714	275	22	138	88	100	51	11	29
1960	925	338	30	215	91	133	64	20	34
1961	1,000	397	35	142	146	148	101	7	24
1962	1,012	419	37	97	153	196	72	7	31
1963	1,079	423	58	92	172	207	89	6	32
1964	1,136	446	76	84	175	204	103	6	42
1965	1,227	505	94	73	173	200	118	6	58
1966	1,264	544	95	71	175	202	120	7	50
1967	1,299	522	115	68	184	225	126	7	52
1968	1,334	450	140	65	220	250	140	8	61
1969	1,379	558	130	62	210	233	130	8	48
1970	1,424	616	126	59	208	230	130	9	46
1971	1,469	691	120	56	200	225	126	9	42
1972	1,524	809	115	54	185	190	122	9	40
1973	1,579	941	107	48	172	164	109	10	28
1974	1,644	986	115	42	180	170	110	11	30
1975	1,772	1,063	142	34	190	186	113	11	33
1976	1,813	1,076	150	30	188	200	120	12	37
1977	1,916	1,142	157	51	189	203	123	14	37
1978	2,048	1,215	175	59	204	211	129	14	41
1979	2,274	1,328	219	52	219	259	133	17	47
1980	2,425	1,428	237	48	216	302	130	14	50
1981	2,568	1,495	255	52	219	352	130	13	52
1982	2,651	1,532	282	55	218	382	113	14	55
1983	2,744	1,574	302	62	215	405	112	15	59

Number of Newly Employed Workers in Cities and Towns

Unit: 10,000 persons

Year	Total	Industry	Construction	Agriculture, forestry animal husbandry, sideline, and fishery	Transportation	Commerce catering and service trades	Culture, education, and public health	Others
1952	883	360	83		56	318	57	9
1953	898	375	80		65	318	52	8
1954	742	342	86		50	209	46	9
1955	640	205	143		54	171	57	10
1956	16	8				8		
1957	104	64			7	33		
1958	106	50		8	7	41		
1959	114	33		25	7	49		
1960	150	35		51	7	57		
1961	165	37		56	7	65		
1962	216	49	4	62	8	71	7	15
1963	231	49	4	73	10	66	7	22
1964	227	48	5	64	10	58	6	36
1965	171	39	5	51	10	48	5	13
1966	156	36	5	45	9	44	5	12
1967	141	33	4	40	9	40	5	10
1968	126	30	4	35	8	36	4	9
1969	111	27	4	30	8	32	4	6
1970	96	24	4	25	7	28	3	5
1971	81	21	3	20	6	24	3	4
1972	66	18	3	15	5	20	2	3
1973	51	15	3	10	4	16	2	1
1974	36	10	2	5	3	14	1	1
1975	24	6	2		2	12	1	1
1976	19	4	2		1	11		1
1977	15	3	1		1	9		1
1978	15	3	1		1	9		1
1979	32	6	1		1	24		
1980	81	10			1	70		
1981	113	11	1		2	99		
1982	147	16	1		2	128		
1983	231	24	1		4	200	1	1

Number of Newly Employed Workers in Cities and Towns

Unit: 10,000

Item	1978	1979	1980	1981	1982	1983
Total	544.4	902.6	900.0	820.0	665.0	628.3
I. Main sources of employees						
Urban persons awaiting jobs and intellectual youths from the countryside	274.9	688.5	622.5	534.3	408.1	406.5
Rural labor force	148.4	70.8	127.4	92.0	66.0	68.2
Graduates of universities, secondary vocational and technical schools	37.7	33.4	80.0	107.9	117.4	93.4
Others	83.4	109.9	70.1	85.8	73.5	60.2
II. Placement of new employees						
State-owned units	392.0	567.5	572.2	521.0	409.3	373.7
Urban collective units	152.4	318.1	278.0	267.1	222.3	170.6
Individual laborers		17.0	49.8	31.9	33.4	84.0

Chapter 15. Higher Material and Cultural Standards

People lived in poverty and hardship in the old Chinese society because of its backward economy. Their standards of living were very low, and many people had to toil throughout the year and yet could not keep themselves free from cold and hunger. After liberation, along with changes in production relations and the national economic recovery and development, living standards rose considerably. Especially since the 3d Plenum of the 11th CPC Central Committee, the party and government have adopted a series of strong measures to improve the living conditions of the urban and rural population, achieving remarkable success.

Increased Peasant Income

Land reform was carried out in the countryside in the early post-liberation period. Agricultural production rapidly recovered and developed and the peasants' living standards were markedly raised. Later, along with the development of the agricultural cooperation movement, the peasants' living conditions steadily improved and in 1957, each person in a peasant family had an average net income of 73 yuan. After 1958, because of the long stagnation of rural economy, the increase in peasants' income was slow, and it was not until 1978 that the net income of each peasant was increased to 133.6 yuan in 21 years at an average increase of 2.9 yuan each year. After the 3d Plenum of the 11th Central Committee, implementation of the various economic policies in the countryside aroused the peasants' enthusiasm for production, and on the basis of bumper agricultural harvests, their income was increased by a wide margin. According to a sample survey of peasant families, the net income of each peasant in 1983 was 309.8 yuan, an increase of 176 over 1978, and this increase in 5 years was higher than the sum total of the previous 21 years by 1.9-fold. If inflation is taken into account, real income still nearly doubled that of 1978. In the countryside, the number of poor families which for a long time had to eat resold grain and had to rely on state subsidies and loans was greatly reduced. The proportion of those with an average net income of less than 100 yuan per person was reduced from 33.3 percent in 1978 to 1.4 percent; and the proportion of fairly well-to-do families with an average net income of more than 300 yuan per person was increased from 2.4 percent to 46.4 percent. In the past several years, many specialized households engaged in commodity production have emerged, and their average income per person is in most cases more than 1,000 yuan, and sometimes more than 10,000 yuan. At present, the phenomenon of "poor villages and poor households becoming wealthy, and wealthy villages and wealthy households becoming even more wealthy" rarely witnessed in history has appeared in the countryside.

Increased Staff and Worker Income

In the early post-liberation period, the state adopted the policy of taking over all the personnel of the old government and at the same time made great efforts to solve the serious problem of unemployment that was left behind by the old society. Later, along with economic development, the ranks of workers continued to expand and their total number in the country increased from 8.09 million in 1949 to 115.15 million in 1983. Many people accumulated from the past, were given jobs, and the number of dependents for each working person (himself included) was reduced from 3.3 persons in the early post-liberation period to 1.71 persons in 1983. While increasing job opportunities, the readjustment of wage scale and the payment of various bonuses and subsidies also helped raise the average wages of workers. Wages in the state sector were raised from 446 yuan in 1952 to 865 yuan in 1983, a 94-percent increase. The average rate of annual increase in the past 5 years was 6.1 percent, higher than that of 1.4 percent in the previous 26 years. Because of the smaller number of dependents, the increase in the average income calculated on a household basis was even larger. According to a sample survey of working families, the average annual income available for living expenses for each person amounted to 526 yuan, a 66.5-percent increase over the 316 yuan in 1978. After deducting the rise in prices of articles of daily consumption, it would still be 43 percent higher than in 1978 with an average annual increase of 7.4 percent. The proportion of families with material difficulties and a monthly income of less than 20 yuan per person for living expenses has dropped from 2.1 percent of the total household number in 1981 to 0.6 percent in 1983, and that of fairly well-to-do households with a monthly income of more than 50 yuan per person increased from 18.4 percent to 29.5 percent.

Rise in Consumption Level of Urban and Rural Population, Change in Consumption Patterns

The consumption level of the whole population (based on the average volume of consumption of each person) rose from 76 yuan in 1952 to 288 yuan in 1983, a 2.8-fold increase. If the increase in prices is taken into account, it was a 1.5-fold increase, an average annual increase of 3 percent. The average annual increase in the past 5 years was 7.2 percent, higher than that of 2.2 percent in the previous 26 years. Before 1978, when the workers' consumption increased faster than that of peasants, the gap between the workers and the peasants was widened. After the 3d Plenum of the 11th CPC Central Committee, the peasants' consumption increased faster than that of workers, and the gap was narrowed.

The average consumption of principal consumer goods per person increased very rapidly. In 1983, compared with 1952, the consumption of grain was increased from 198 kg to 233 kg; that of edible plant oil, from 2.1 kg to 4.1 kg; that of pork, from 5.9 kg to 12.4 kg; that of sugar, from 0.9 kg to 4.5 kg; and that of cloth, from 5.7 meters to 10.3 meters.

For a fairly long time in the past, the main concern of Chinese people was to solve the problem of food and clothing. Their living standards were raised a great deal in the past several years, and their consumption pattern underwent a fairly profound change, because of the gradual change to the consumption of high- and middle-grade commodities. According to a sample survey of peasants' income and expenses, the proportion of food in their living expenses dropped from 67.7 percent in 1978 to 59.3 percent in 1983; that of rice and flour rose from 49 percent to 76 percent; that of clothing dropped from 12.7 percent to

11.2 percent (along with a change from the use of cotton fabrics to the use of chemical fibers, woolen fabrics, silk, and woolen yarn); and that of sundries rose from 6.6 percent to 10.8 percent. In 1983, each 100 peasant households owned 63 bicycles, 38 sewing machines, and 91 wristwatches, an increase of 1- to 2.4-fold over 1978. The more wealthy peasants, no longer contented with these "three old items," now began to purchase TV sets, washing machines, cassette recorders, electric fans, sofas, and other high-grade durable consumer goods, and "TV villages" have appeared in some areas.

According to a sample survey on the income and expenditures of working families, the proportion of food in their living expenses rose from 57.5 percent to 59.2 percent in 1983. This rise was mainly because of the good harvests in the past several years, the plentiful market supply, and the increased varieties and improved quality of food. The increase in food prices also had something to do with this rise. The proportion of clothing rose from 13.6 percent to 14.5 percent and that of articles for daily use rose from 16.1 percent to 16.2 percent. In 1983, each 100 working families owned 83 TV sets, 29 washing machines, 27 cassette recorders, 7.3 cameras, 64 electric fans, 1.7 refrigerators, 76 sewing machines, 160 bicycles, 268 wristwatches, 124 sofas, and 101 large wardrobes.

Improved Housing Conditions for Urban, Rural Population

In the past 30 and more years, the state spent 92.7 billion yuan out of its capital construction funds on workers' housing and built new houses with a total floorspace of 927 million square meters. The floorspace of 395 million square meters built in the last 5 years, averaging 79.07 million square meters a year, was 3-fold that of 19.89 million square meters a year in the previous 26 years. In addition, with the funds for special measures and the investments of urban collective units, some 97 million square meters of new workers' residential houses were built in the last 5 years. At present, there are in the cities complete areas of new buildings, including many tall ones. The floorspace per person in the cities was increased from 4.2 square meters in 1978 to 5.9 square meters in 1983. In the past several years, there was a "house-building rush" in the countryside, because the peasants with better income were eager to have better housing conditions. In the last 5 years, the peasants built 2.8 billion square meters of floorspace for their homes. In 1983, each person spent an average of 27.6 yuan, a 6.5-fold increase over 1978, on house-building. The proportion of their expenditures in house-building in their living expenses rose from 3.2 to 11.1 percent. At the end of 1983, the floorspace per person was increased to 11.6 square meters, 3.5 square meters more than the 8.1 square meters of 1978. Now many peasants have replaced their small, crudely built huts with new brick houses, and in some areas with well-to-do people, new modern houses have been built.

People's Savings Deposits Greatly Increased

With their increased income, people in both urban and rural areas are now able to live in comfort and still have money left to be deposited in the bank. At the end of 1983, the total balance of savings deposits amounted to 89.3 billion yuan, 103-fold the 860 million yuan of 1952, and 3.2-fold the 21.1

billion yuan of 1978. Of the total savings deposits in the country, one-third was fixed deposits of more than 3 years.

Improved Living Conditions With Increased Public Utilities and Commercial Outlets

In the past 30 and more years, the state spent 31.4 billion yuan on urban public utilities, including 17.6 billion yuan invested in the last 5 years. The investment in public utilities in these 5 years accounted for 6.6 percent of the total capital construction investment, although in the previous 26 years (from 1953 to 1978), it was only 3.5 percent. The development in urban public utilities has helped to improve living conditions. In the early period of the People's Republic, many cities did not have tap water, and sanitary conditions were very poor. Now, 83 percent of the families have tap water. In the past, only a few large cities had natural gas; now 101 cities in the country have the facilities for burning gas, and 19.4 percent of the households are supplied with gas or liquefied gas. Urban transportation has also been improved. The number of public transportation vehicles (including motor vehicles and tramcars) has been increased from several thousands in the past to 39,000, and the average number of vehicles for every 10,000 people has been increased from 1 to 3.8. More than 140 cities have taxicab service. In the past several years, attention was also paid to tree planting in the cities and to construction in scenic spots. The area planted with trees amounts to 135,000 hectares, averaging 13.5 hectares for every 10,000 people.

In the past several years, comprehensive construction was carried out in townships. After putting up cables, repairing roads, and improving the water supply system, 95 percent of all townships in the country have telephone service, 92 percent of them are accessible by motor car, and more than 300 million peasants can drink clean and wholesome water. In addition, many marsh-gas pools were repaired for household use and cultural and entertainment facilities have been set up in many townships.

For people's convenience, in the past 5 years the state has increased outlets of commerce and catering and service trades of the state sector besides opening country fairs and restoring and developing the collective and individual sectors of commerce and the catering and service trades. At the end of 1983, there were 6.6 million outlets for retails and the catering and service trades throughout the country, 4.3-fold more than in 1978. The personnel of these outlets reached 16.68 million, 1.7-fold more than 1978. The average number of business outlets per 10,000 persons was increased from 13 in 1978 to 64, and the number of their personnel per 10,000 persons was increased from 63 to 163.

Improvements in Health and Cultural Life

While improvement was made in people's material life, the enrichment of their cultural life also continued. The number of educated people has been increased, and their cultural standards raised. According to the General Census, the ratio of people with junior secondary education or higher was raised from 6.4 percent in 1964 to 25 percent in 1982.

In 1983, there were 162,000 movie projection teams, averaging 1.6 per 10,000 persons, and 33 percent more than in 1978. Each day, 4.2 copies of newspapers were owned per 100 persons, and each person owned 7.4 copies of books or magazines per year, an increase of 32 percent and 56 percent over 1978, respectively. Each 100 persons owned 3.5 TV sets and 21 radios, 11- and 1.7-fold those of 1978, respectively.

Since the founding of the People's Republic, the state has made great efforts in developing public health and medical service. The number of hospital beds per 10,000 persons was increased from 1.5 in 1949 to 20.7 in 1983, and the number of doctors was increased from 6.7 to 13.3. In 1949, there were only 39 sanatoriums, health stations for women and children, and immunization stations; in 1983, their number was increased to more than 6,500. Most workers now have labor insurance and free medical treatment. In the countryside, great efforts have been made in hygienic work and disease prevention, and acute epidemic and endemic diseases have been greatly reduced. Furthermore, the improvement in living conditions and nutrition have strengthened their constitution and improved their health considerably.

The material and cultural lives of the urban and rural population have undergone marked changes in the past 30 and more years. On the whole, however, their living standards are still rather low, and, in the countryside, the development in different areas and among different individuals is still uneven, leaving much to be desired. In the border regions where natural conditions are poor, incomes are very low and living conditions are harsh. In the cities, the workers' houses are overcrowded and the public utilities, and cultural, educational, and public health undertakings are inadequate for objective needs. These conditions should be gradually improved on the basis of production development.

Growth Indicators for Material and Cultural Standards

	Absolute number (yuan)			Average annual rate of increase (percent)	
	1957	1978	1983	In 21 years from 1958 to 1978	In 5 years from 1979 to 1983
Consumption levels nationwide	102	175	288	2.6 (1.8)	10.5 (7.2)
Peasants	79	132	233	2.5 (1.4)	12.0 (8.6)
Nonagricultural population	205	383	523	3.0 (2.5)	6.4 (3.2)
Average wages of staff and workers (of state-owned units)	637	644	865	0.1(-0.6)	6.1 (2.8)

Note: Figures within parentheses denote actual growth rate after deducting for price increases.

[Continuation of above table]

Item (unit)		1957	1978	1983
Housing: Per capita floorspace (m^2):	cities*		4.2	5.9
	countryside*		8.1	11.6
Savings deposits:	Yearend balance of savings per person (yuan)	5.4	21.9	87.1
Transportation:	Bicycles per 100 persons		7.7	15.4
	Public buses per 10,000 persons	1.0	3.3	3.8
Culture:	TV sets per 100 persons		0.3	3.5
	Radios per 100 persons		7.8	20.9
	Newspapers per 100 persons per day	1.0	3.2	4.2
	Books, magazines per 100 persons each year	2.5	4.8	7.4
Education:	Number of students in various grades per 10,000 persons	1,111	2,228	1,975[1]
	Of which: university students per 10,000 persons	6.8	8.9	11.8
Health work:	Hospital beds per 10,000 persons	4.6	19.4	20.7
	Doctors per 10,000 persons	8.4	10.8	13.3
Employment:	Dependents per city worker	3.29	2.06	1.71
	Dependents per peasant	2.08	2.53	1.91
Commercial outlets:	[2]Number of outlets per 10,000 people	42	13	64
	Number of outlet personnel per 10,000 people	118	63	163

Notes: 1. Includes adult education.
2. Includes retail sales, catering and service trades, and individual ventures.
* Denotes data from sample survey.

Average Consumption

Year	Average annual consumption (in yuan, based on current prices)			Fixed based index (%) (based on comparable prices)		
	National population	Peasants	Nonagricultural population	National population	Peasants	Nonagricultural population
1952	76	62	148	100	100	100
1953	87	69	181	107.7	103.2	115.0
1954	89	70	183	108.2	104.4	115.0
1955	94	76	188	115.1	113.4	117.9
1956	99	78	197	120.0	115.0	123.7
1957	102	79	205	122.9	117.1	126.3
1958	105	83	195	124.9	120.0	120.1
1959	97	65	210	112.9	94.7	123.1
1960	103	68	217	106.2	90.4	108.6
1961	114	82	225	99.4	92.0	93.3
1962	117	88	226	103.9	98.8	96.6
1963	116	90	222	114.5	106.8	113.7
1964	120	95	234	121.6	114.1	126.5
1965	125	100	237	132.4	124.8	136.8
1966	132	106	244	138.2	130.9	141.3
1967	137	111	251	143.5	136.8	145.3
1968	132	106	250	138.2	130.4	144.5
1969	135	108	255	141.9	133.9	148.7
1970	140	114	261	147.6	141.4	152.0
1971	142	116	267	149.2	142.4	156.3
1972	147	116	294	153.4	141.7	171.8
1973	155	123	306	161.4	150.3	178.1
1974	155	123	314	161.0	149.0	181.7
1975	158	124	324	163.9	150.9	187.3
1976	161	125	340	166.9	151.4	195.7
1977	165	124	361	168.4	150.9	202.0
1978	175	132	383	177.0	157.5	212.9
1979	197	152	406	188.8	168.4	221.8
1980	227	173	468	207.1	184.8	238.0
1981	249	194	487	222.2	203.3	241.6
1982	267	212	501	234.0	218.5	243.3
1983	288	233	523	250.1	238.2	249.4

Note: This table is based on the portion of national income spent for individual consumption and the average population each year.

Growth Rate of Consumption

Period	National population	Peasants	Nonagricultural population
First 5-Year Plan	4.2	3.2	4.8
Second 5-Year Plan	- 3.3	- 3.3	- 5.2
1963-1965	8.6	8.2	12.3
Third 5-Year Plan	2.1	2.5	2.1
Fourth 5-Year Plan	2.1	1.3	4.2
Fifth 5-Year Plan	4.8	4.1	4.9
1953-1978	2.2	1.8	2.9
1979-1983	7.2	8.6	3.2

Per Capita Consumption of Major Consumer Goods

Product	Unit	1978	1983	1983 as percentage of 1978
Grain	jin	390.9	464.5	118.8
Edible plant oil	"	3.2	8.1	253.1
Pork	"	15.3	24.7	161.4
Fresh eggs	"	4.0	5.9	147.5
Sugar	"	6.8	8.9	130.9
Cloth of various types	foot	24.1	31.0	128.6

Note: Consumption includes the amount supplied on the market and the amount produced by the peasants for their own consumption. Grain refers to commercial grain.

Average Amount of Major Durable Consumer Goods in Use Per 100 Persons

Product	Unit	End, of 1978	End of 1983	1983 as percentage of 1978
Sewing machines	each	3.5	7.5	214.3
Bicycles	"	7.7	15.4	200.0
Wristwatches	"	8.5	22.3	262.4
Radios	"	7.8	20.9	267.9
TV sets	"	0.3	3.5	1,166.7

Note: Radios include both vacuum-tube radios and transistor radios.

Wage Increases for Staff and Workers

Item (unit)	1978	1979	1980	1981	1982	1983
Total wages (100 million yuan)	568.8	646.6	772.5	820.0	882.1	934.6
State-owned units (100 million yuan)	468.6	529.4	627.9	660.4	708.9	748.1
Collective units (" " ")	100.2	117.2	144.6	159.6	173.2	186.5
Of which: Bonuses and above-quota piecework wages (100 million yuan)	11.3	48.8	70.3	91.1	109.0	120.9
State-owned units (100 million yuan)	11.3	41.8	60.9	74.4	88.3	96.6
Collective units		7.0	9.4	16.7	20.7	24.3
Average bonus and above-quota piecework wage per capita (100 million yuan)	12.1	50.4	69.4	85.8	98.6	106.8
Average wages (yuan)	614	668	762	772	798	826
State-owned units (yuan)	644	705	803	812	836	865
Collective units (yuan)	505	542	624	642	671	698

Factors Behind Growth of Total Wages

Item	Increase in 1983 over 1978 (100 million yuan)	Percentage of increase
Total increase	366	100.0
Increase in standard wages due to increase in number of workers	92	25.1
Increase due to increase in bonuses	88	24.1
Increase due to increase in subsidy for nonstaple food	66	18.0
Increase due to wage readjustment	61	16.7
Others (subsidies, overtime, etc.)	59	16.1

Average Wages of Staff and Workers in State-Owned Units

Year	Average wages of workers (yuan)	Indices (1952 = 100)		Year	Average wages of workers (yuan)	Indices (1952 = 100)	
		Monetary wages	Real wages			Monetary wages	Real wages
1952	446	100.0	100.0	1968	621	139.2	117.7
1953	496	111.2	105.8	1969	618	138.6	116.1
1954	519	116.4	109.2	1970	609	136.5	114.3
1955	534	119.7	112.1	1971	597	133.9	112.3
1956	610	136.8	128.0	1972	622	139.5	116.8
1957	637	142.8	130.3	1973	614	137.7	115.2
1958	550	123.3	113.7	1974	622	139.5	115.9
1959	524	117.5	108.1	1975	613	137.4	113.9
1960	528	118.4	106.3	1976	605	135.7	112.1
1961	537	120.4	93.0	1977	602	135.0	108.5
1962	592	132.7	98.7	1978	644	144.4	115.2
1963	641	143.7	113.7	1979	705	158.1	124.0
1964	661	148.2	121.7	1980	803	180.0	131.2
1965	652	146.2	121.5	1981	812	182.0	129.4
1966	636	142.6	120.0	1982	836	187.4	130.7
1967	630	141.3	119.5	1983	865	193.9	132.5

Average Rate of Growth of Wages for Staff and Workers in State-Owned Units

Unit: Percent

	Monetary wages	Real wages
First 5-Year Plan	7.4	5.4
Second 5-Year Plan	-1.5	-5.4
1963-1965	3.3	7.2
Third 5-Year Plan	-1.4	-1.2
Fourth 5-Year Plan	0.1	-0.1
Fifth 5-Year Plan	5.5	2.9
1953-1978	1.4	0.5
1979-1983	6.1	2.8

Note: Monetary wages means those wages for which inflation is not taken into account, while real wages reflect adjustment for inflation.

Data From Sample Survey of Income and Expenses of Urban Staff and Worker Families

1. Basic Conditions

		Unit	1981	1982	1983
I.	Number of households surveyed	household	8,715	9,020	9,060
II.	Average population per household	person	4.24	4.14	4.06
III.	Average number of working persons per family	person	2.39	2.39	2.38
IV.	Number of dependents for each working person (including worker himself)	person	1.77	1.73	1.71
V.	Average monthly income for each person	yuan	41.70	44.61	47.74
	Of which: Income available for living expenses	yuan	38.17	41.21	43.83
	Households classified according to income brackets				
	Below 20 yuan	percent	2.05	0.92	0.61
	20-25 yuan	"	5.46	3.68	2.97
	25-35 yuan	"	31.81	25.63	20.32
	35-50 yuan	"	42.29	45.40	46.56
	50-60 yuan	"	11.90	14.20	16.42
	Above 60 yuan	"	6.49	10.17	13.12
VI.	Average monthly living expenses per person	yuan	38.07	39.25	42.16

Note: Income available for living expenses means the portion used for daily living expenses of the family after deducting that portion used for parental support or gifts.

2. Composition of Staff and Worker Living Expenses

Unit: Percent

Item	1981	1982	1983
Living expenses	100	100	100
Food	56.66	58.65	59.21
Clothing	14.79	14.37	14.54
Sundries	18.62	16.87	16.24
Fuel	1.94	1.86	1.73
Noncommercial expenses	7.99	8.25	8.28

3. Average Amount of Commodities Purchased by Each Person of a Staff or Worker Family

Product	Unit	1981	1982	1983	Product	Unit	1981	1982	1983
Grain	jin	291	289	289	Cigarettes	boxes	35.9	31.9	33.5
Fresh vegetables	"	305	318	330	Liquor	jin	8.7	9.0	10.7
Edible oiil	"	9.6	11.6	13.1	Tea	liang	1.1	4.2	3.6
Pork	"	33.8	33.7	36.0	Fresh fruit	jin	42.5	32.3	34.9
Beef, mutton	"	3.4	3.6	3.7	Candy	"	2.8	2.5	2.5
Poultry	"	3.8	4.5	5.2	Pastry	"	7.7	8.1	8.3
Fresh eggs	"	10.4	11.8	13.8	Cloth of various types	foot	18.9	18.7	22.4
Fish, shrimp	"	14.5	15.3	16.2	Woolen piecegoods	"	19.5	19.5	22.8
Sugar	"	5.8	5.6	5.5	Leather shoes	pair	0.46	0.48	0.51

4. Durable Consumer Goods in Use Per 100 Staff and Worker Families

Product	Unit	1981	1982	1983
Bicycles	each	135.90	146.65	159.93
Sewing machines	"	70.41	73.60	76.21
Wristwatches	"	240.76	248.89	268.24
Electric fans	"	42.62	53.17	63.61
Washing machines	"	6.34	16.09	29.08
Refrigerators	"	0.22	0.67	1.65
Wardrobes	"	86.09	94.63	101.46
Sofas	"	89.33	109.49	123.77
Desks	"	55.17	63.37	70.67
Vacuum-tube radios	"	37.45	34.71	32.23
Transistor radios	"	63.07	68.33	72.32
Color TV sets	"	0.59	1.10	2.57
Black and white TV sets	"	57.06	72.21	80.58
Cassette recorders	"	12.97	17.99	27.11
Cameras	"	4.29	5.57	7.28

Data From Sample Survey of Income and Expenses of Peasant Families

1. Basic Conditions

Item (unit)	1978	1979	1980	1981	1982	1983
Number of households surveyed	6,095	10,282	15,914	18,529	22,775	30,427
Constant population in households surveyed	34,961	58,153	88,090	101,998	124,286	165,131
Average constant population of each household	5.74	5.66	5.54	5.50	5.46	5.43
Average number of full-time or half-time laborers	2.27	2.38	2.45	2.53	2.58	2.84
Average number of dependents for each laborer	2.53	2.38	2.26	2.17	2.12	1.91
Average number of new houses built by each household within 1 year	0.11	0.22	0.23	0.27	0.29	0.31
Average yearend number of houses occupied by each household	3.64	3.84	4.06	4.28	4.56	4.81
Average yearend area of houses per person (square meters)	10.17	11.03	11.59	12.47	13.41	14.25
Of which: housing area (square meters)	8.1	8.4	9.4	10.2	10.7	11.6

2. Average Net Income and Its Source Per Person in Peasant Families

Item	Unit	1978	1979	1980	1981	1982	1983
I. Average net income per person	yuan	133.57	160.17	191.33	223.44	270.11	309.77
1. Income from collectives	yuan	88.53	101.97	108.37	116.20	142.84	169.47
2. Net income from household sideline occupation	yuan	35.79	44.00	62.55	84.52	102.80	112.13
3. Other noncredit income	"	9.25	14.20	20.41	22.72	24.47	28.17
II. Proportion (net income = 100)							
1. Income from collectives	percent	66.28	63.66	56.64	52.00	52.9	54.7
2. Net income from household sideline occupation	"	26.79	27.47	32.69	37.83	38.0	36.2
3. Other noncredit income	"	6.93	8.87	10.67	10.17	9.1	9.1

Note: In this table, "income from collectives" refers to the gross income of peasants from the collective including income from basic accounting units and outside these units, as well as from contracted work in collective production. "Other noncredit income" refers to remittances and cash or articles brought in from other places, relief from the state, subsidies for civilian work, relief for crippled soldiers, and other income of a noncredit nature.

3. Consumption of Consumer Goods Per Person in Peasant Families

Product	Unit	1978	1979	1980	1981	1982	1933
Grain (unprocessed)	jin	496	513	514	512	520	520
Of which:							
Flour and rice	"	245	279	326	345	384	393
Vegetables	"	283	262	254	248	264	262
Edible oil	"	3.94	4.76	4.97	6.25	6.86	7.05
Meat	"	11.51	13.01	15.49	17.41	18.10	19.93
Poultry	"	0.50	0.63	1.31	1.41	1.56	1.63
Eggs	"	1.59	1.79	2.39	2.50	2.85	3.14
Fish and shrimp	"	1.68	1.39	2.19	2.56	2.63	3.17
Sugar	"	1.46	1.60	2.12	2.19	2.37	2.51
Liquor	"	2.44	2.83	3.78	4.64	5.46	6.39
Cotton	"	0.79	0.89	0.76	0.66	0.77	0.79
Cotton fabric	foot	16.90	15.60	12.89	12.62	11.83	9.53
Chemical fiber fabric	"	1.24	2.18	2.81	3.70	4.59	7.01
Woolen fabric	"	0.07	0.17	0.18	0.18	0.12	0.16
Silk	"	0.06	0.15	0.17	0.15	0.16	0.21
Woolen yarn, woolen jackets, trousers	jin	0.04	0.07	0.09	0.09	0.08	0.08
Rubber shoes, sport shoes, leather shoes	pair	0.32	0.44	0.51	0.49	0.48	0.49

4. Average Number of Durable Consumer Goods Owned Per 100 Peasant Families

Product	Unit	1978	1979	1980	1981	1982	1983
Bicycles	Each	30.73	36.20	36.87	44.41	51.50	63.41
Sewing machines	"	19.80	22.62	23.31	27.68	32.76	38.07
Radios	"	17.44	26.13	33.54	42.25	50.46	56.82
Clocks, watches	"	51.75	55.14	68.53	89.03	104.35	132.09
Of which:							
wristwatches	"	27.42	27.83	37.58	55.09	68.09	91.44
TV sets	"			0.39	0.87	1.68	3.99

5. Composition of Average Living Expenses for Each Person in Peasant Families

Unit: Percent

Item	1978	1979	1980	1981	1982	1983
Living expenses	100.0	100.0	100.0	100.0	100.0	100.0
Food	67.7	64.0	61.8	59.7	60.5	59.3
Clothing	12.7	13.1	12.3	12.3	11.2	11.2
Fuel	7.1	6.2	6.0	5.6	5.6	5.4
Housing	3.2	5.7	7.9	9.8	10.3	11.1
Sundries, etc.	6.6	8.3	9.4	10.2	10.2	10.8
Culture and services	2.7	2.7	2.6	2.4	2.2	2.2

6. Peasant Houses Classified According to Average Net Income Brackets

Unit: Percent

Income bracket	1978	1979	1980	1981	1982	1983
100 yuan or below	33.3	19.3	9.8	4.7	2.7	1.4
100—150 yuan	31.7	24.2	24.7	14.9	8.1	6.2
150—200 yuan	17.6	29.0	27.1	23.0	16.0	13.1
200—300 yuan	15.0	20.4	25.3	34.8	37.0	32.9
300—400 yuan	2.4	5.0	8.6	14.4	20.8	22.9
400—500 yuan		1.5	2.9	5.0	8.7	11.6
500 yuan and above		0.6	1.6	3.2	6.7	11.9

Yearend Savings Deposit Balances in Urban and Rural Areas

Year	Savings deposit balance (100 million yuan)				Average savings balance per person (yuan)		
	Nation-wide	Urban areas	Of which: fixed deposits	Rural areas	Nation-wide	Urban areas	Rural areas
1952	8.6	8.6	4.8			12.0	
1957	35.2	27.9	19.6	7.3	5.4	28.0	1.3
1965	65.2	52.3	43.4	12.9	9.0	40.1	2.2
1978	210.6	154.9	128.9	55.7	21.9	74.7	7.1
1983	892.5	572.6	463.9	319.9	87.1	237.3	40.8

9411/9365
CSO: 4006/316

- END -

JPRS-CEA-86-027

17 March 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-027

17 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Comprehensive Investigation of Economic Reform
(JINGJI YANJIU, 20 Nov 85) 1

ECONOMIC PLANNING

Shandong Leaders Discuss 1986 Economic Plans
(DAZHONG RIBAO, 11 Nov 85) 32

Economic-Geographical Research for Industry Distribution
(Hu Xuwei; DILI KEXUE, No 4, Nov 85) 39

AGGREGATE ECONOMIC DATA

Briefs

Zhejiang Family Enterprise 40
Guangxi Prefecture's Rural Enterprises 40

ECONOMIC MANAGEMENT

Minister Urges Improvements in Enterprise Management
(XINHUA Domestic Service, 20 Jan 86) 41

Ways of Improving Economic Results Discussed
(Xie Minggan; JIEFANG RIBAO, 13 Nov 85) 42

Views on Commodity Prices Presented
(Shen Jinlu; WEN HUI BAO, 21 Nov 85) 47

Tighter Controls Sought Over Private Building Sales
(CHINA DAILY, 6 Feb 86) 51

Strategy of Developing Tertiary Industry in Northeast
(Cheng Wen; DI SAN CHANYE BAO, 22 Nov 85) 53

Anhui Urban Industries Support Rural Township Enterprises
(ANHUI RIBAO, 28 Oct 85) 55

Support for Rural Enterprises, by Li Zhefu 55
Commentary Urges Integration 56

Shandong Township, Town Enterprise Growth Rapid
(Wang Yuzhang; DAZHONG RIBAO, 4 Nov 85) 58

Fujian's 1985 Supply, Marketing System Successful
(Lin Zhansheng; FUJIAN RIBAO, 12 Nov 85) 60

Shaanxi Economic Crimes Detected Through Investigation
(Shen Yunjun; SHAANXI RIBAO, 12 Nov 85) 62

Briefs
Zhejiang Price Inspection 63
Zhejiang Personnel Foreign Study 63

FINANCE AND BANKING

Bank Official on Supporting Exports, Controlling Imports
(Zhao Bingde; ZHONGGUO JINRONG, 4 Aug 85) 64

Agricultural Bank Exercises Better Control Over Credit
(He Jiazheng; RENMIN RIBAO, 2 Feb 86) 69

Guangdong Reports Record High Revenue in 1985
(Li Sensheng; NANFANG RIBAO, 9 Jan 86) 71

INDUSTRY

China's Light Industry Delivers Huge Sum of Tax for Profit
(Wang Fengxian, Wang Xiangxing; ZHONGGUO QINGGONGYE BAO, 12 Jan 86) 72

Heilongjiang's Second Industry Shows Signs of Improvement
(HEILONGJIANG RIBAO, 13 Jan 86) 74

Report on Pioneer of China's Automobile Industry
(Sun Bicheng; ZHONGGUO XINWEN SHE, 18 Feb 86) 76

Briefs
China's Tungsten Industry Blossoming 78
Zhejiang Industrial Output 78

CONSTRUCTION

Briefs
Zhangjiagang Deep-Water Berths Approved 79
Liaoning Export Bases Regulation 79

FOREIGN TRADE AND INVESTMENT

Export of Native Products Nets $2.3 Billion
(Feng Xiao; RENMIN RIBAO OVERSEAS EDITION, 26 Dec 85) 80

Principal Actors in Foreign Economic Relations Discussed
(Liao Yanbao; FAXUE ZAZHI, No 4, 15 Aug 85) 82

Legal Status of Individual Economy in Foreign Trade
(Li Yong, Chen Hongjun; FAXUE ZAZHI, 15 Aug 85) 89

Applying Foreign Laws in Foreign Economic Contract Disputes
(Zheng Wei, Lin Yanping; FAXUE, Oct 85) 95

Ningbo Puts Harbor Development High on Agenda
(RENMIN RIBAO OVERSEAS EDITION, 26 Dec 85) 98

Briefs
International Economic Cooperation Meeting 99
Interest in Jiangsu Textiles 99
Export of Dresses 99

SPECIAL ECONOMIC ZONES

Central Government Steps in To Rescue Shenzhen SEZ
(Shi Hua; CHIU SHIH NIEN TAI, 1 Dec 85) 101

LABOR AND WAGES

China's Cadres Receive New Pay Following Wage Reform
(Chao Lin; MING PAO, 18 Jan 86) 107

Solution to Problem of Worker Outflow
(Su Guomin; GONGREN RIBAO, 8 Nov 85) 109

Jiangsu Reports High Employment Rate in Past 5 Years
(Cai Mingde; XINHUA RIBAO, 30 Dec 85) 112

New Employment Situation in Beijing
(Zhong Yi; JINGJI RIBAO, 10 Dec 85) 114

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

Trade Protectionism Undermining General System of Preferences
(Yuan Yongyou; GUOJI MAOYI WENTI, No 6, Nov-Dec 85) 116

TAIWAN

Briefs
Toyota Investment Bid 122
Rising Investment in Foreign Trade 122
Curbs on Foreign Banks Eased 122
1986 Economic Development Optimism 123

COMPREHENSIVE INVESTIGATION OF ECONOMIC REFORM

Beijing JINGJI YANJIU in Chinese 20 Nov 85 pp 3-18

[Comprehensive Investigation Group of the Institute of Economic Structure Reform: "Reform: the Challenge and Choices We Face" dated October 1985--passages within slantlines published in boldface and within double slantlines published in italic]

[Text] In the period of the economic structural reform and the restructuring of our undertakings, the "transparency" of the operational system of our national economy has been greatly reduced. Many economic phenomena in the past few years which were not expected by our initial macroeconomic policy decision, prove that in the process of "changing the orbit," the operational mechanism of China's economy is more complicated than not only the traditional Soviet pattern, but also than the European and American mature market economies. Simplistically copying traditional methods or introducing macroeconomic targets from developed countries are far from being enough for us to exert effective macroeconomic control. If we cannot correctly know the laws of the operation of the microeconomy and if we rashly apply the macroeconomic levers, then we will not be able to avoid blindness in our actions and it will be difficult for us to estimate the side effects of our actions. If we rely merely on macroeconomic readjustment policies without the active response of microeconomic organizations, it is also difficult for us to control the operation of our economic system. Therefore, deepening our positivist investigation and study and mastering the laws of the operation of our actual economy are prerequisites for designing our macroeconomic policies and for continuing to develop the epistemology of the reform.

This report has summed up some of the results of the investigation that the Chinese Economic Structural Reform Research Institute had made this year. It mainly contains the economic investigation of 429 enterprises in 27 cities, 2 investigations on the "Social Psychological Response to Price Reform" (2,406 and 2,060 questionnaires), the investigation on "Youths' Tendency in Choosing Occupations and Basic Attitude Toward Social Economic Life" (76,000 questionnaires), and the investigation on the "Reform in Social Insurance System" (1,341 questionnaires). This report is an attempt to make summarized analysis, on the basis of those investigations and in the light of the overall situation in the whole country, of the reality and problems in the current economic reform and of some key strategic issues for further reform.

I. Foundation for Deepening and Promoting the Reform

1.1--Since 1979, we have made essential progress in carrying out the economic structural reform, of which the basic ideological line is to streamline our administration and decentralize power and the strategic orientation is to form product markets and enliven our enterprises. We have scored marked achievements in reforming our enterprise-distribution, plan-allocation and price-administration systems, and the regulation of the market mechanism has already begun to show its important role in the operation of our economic system.

1.2--The reform in the distribution system has intensified the motives of our enterprises in conducting their operation to earn profits. The average rate of retained profit for 1984 in the enterprises under the investigation was 21.59 percent of their total realized profits. Their bonus payments accounted for 36.70 percent of their total retained profits. The correlation coefficient between the rate of increase in these enterprises' retained profits and the rate of increase in their total profits was 0.57. The correlation coefficient between the rate of increase in per capita bonus payments and the rate of increase in their retained profits was 0.29. The interests of the enterprises and their staff and workers are closely related to the profits of the enterprises. The enterprises which have carried out their production for the fulfillment of plans for a long time have begun to have a relative strong motive to earn profits. According to the statistics from 359 questionnaries answered by factory directors, among the 14 targets on the operation of enterprises, "raising economic results" is listed in first place and what follows is in the following order: "improving quality," "developing new products," "enterprise technological transformation," and "increasing profits." The "fulfillment of plans" ranks the 11th and "quadrupling output value" ranks last. The above-mentioned order of priority for target indices has been proved by the actual indices of the operation of the enterprises: There have been notable correlations between the rates of increase in output value and in profits and between the rates of increase in investment and in profits (r equals 0.3249 for the former and 0.1393 for the latter).

1.3--The reform in our plan allocation system has enabled our enterprises to begin to have some decisionmaking power over their operation. In 1984, 23.97 percent of the production in the enterprises under investigation was under the plans. (This means that 23.97 percent of the total output value was created under mandatory plans.) The raw and processed materials were 73.16 percent provided by the plans. (This means that 73.16 percent of the total materials consumed were supplied under plans.) Their products were 57.42 percent sold under plans. (This means that planned allocation of their products accounted for 57.42 percent of their total sales.) The rate of sales on their own to total sales was 32.81 percent. From last January to June, the portions of planned production and sales rebounded somewhat, but the portion of planned supplies of raw and processed materials continued to decline rapidly. The proportion of the major raw and processed materials that the enterprises acquired through exchanges and cooperation between one another and through purchases in the market in the total raw and processed materials consumed rose sharply from 26.8 percent to 43.8 percent, an increase of 17 percent in half a year. From the point of view of the distribution of our enterprises, in 1984, 51 percent of the enterprises had acquired different degrees of decisionmaking power over their production, supply, and sales. In regard to their production plans, enterprises that must consider market demand accounted for 77 percent of the enterprises under investigation; those who relied on purchases in the market for their supplies of raw and processed materials accounted for 90 percent; and those who sold their products on their own accounted for 97 percent.

1.4--The "double orbit" price system has played a marked positive role. The important functions of (cooperative) pricing and self-sale prices are that they can relatively accurately reflect the supply and demand relations in the market and regulate the operational activities of the enterprises through marginal effect. Take steel for example, for the enterprises that produced or consumed steel, so long as a portion of their products could be sold at market prices, or so long as a portion of their steel had to be purchased at market prices, each ton more steel an enterprise produced or each ton less steel an enterprise consumed meant that the enterprises could get an increment of income calculated at the market price or reduce a portion of its expense calculated at the market prices. An investigation in 12 medium-sized iron and steel works proves that as long as the rate of sales conducted by the enterprises on their own exceeds a certain limit, the marginal effect is tremendously great.

Table 1. Rates of Self-Sales and Output Increase in the 12 Works

Unit: Percent

Number of Enterprises	Rate of Self-Sales	Average Rate of Self-Sales	Rate of Output Increase	Average Rate of Output-Increase
6	0-7.8	2.96	-10.98-5.80	-9.32
6	10.0-34.0	18.78	2.30-69.73	14.38
12	--	11.00	--	5.20

The prices of the "double orbit system" have provided a great incentive for conservation. In 1984, the amount consumed per 10,000 yuan of steel output in 300 steel-consuming enterprises dropped 18 percent.

1.5--The market began to play a vigorous restrictive role over the production, supply, and sales of our enterprises. The expansion of the decisionmaking power of the enterprises meant that they were forced to rely on market demand in realizing their objectives of earning profits. The correlation coefficient between the rate of increase in output value and the rate of increase in sales in the enterprises under the investigation was as high as 0.74. Often the enterprises and trades that developed most quickly were precisely those whose products sold the best.

1.6--Hungarian economist Janos Kornai regards the ratio of an enterprise's stock of input to its stock of output as the most important comprehensive index (which we shorten as "Kornai Index"). It can be used to measure the various degrees of the role of the regulation of the market mechanism in economic systems ranging from the resources-restricted sellers' market economy to the supply-restricted buyers' market economy.

Table 2. Some Countries' "Kornai Indexes"

Buyers' Market Economy	Years	Kornai Index
Austria	1972-1977	1.5
Sweden	1968-1972	0.70-0.74
United States	1960-1977	0.94-1.16
Sellers' Market Economy	**Years**	**Kornai Index**
USSR	1960-1977	9.2-12.3
Poland	1975	10.3
Hungary	1971-1980	7.26-8.52

Sources of information: Kornai "Double Dependence of State-Owned Enterprises," 1985 No 10 issue of JINGJI YANJIU.

The "Kornai Index" of the enterprises under our investigation was 4.5 for 1983, 4.4 for 1984, and 3.9 for the first 6 months of this year. The relative reduction in the stock of input and the relative increase in the stock of output in these enterprises indicated that the enterprises as buyers had greater room to take the initiative to make choices, but that as sellers, they were restricted by market demand. All the serveral different methods of calculation have proved that the degree of the role of the regulation of the market mechanism has greatly changed in China at present. Moreover, as the reform develops, the initiative position of enterprises as buyers is rising while their position of monopoly as sellers is weakening.

1.7--The introduction of the regulation of the market mechanism has made the masses of people undergo training in commodity economic life and has won universal support. The second survey was carried out only one-half year after the first one, but the percentage of those who chose rigid control by the state dropped sharply. Since the price of nonstaple food was unleashed, people have undergone training in market life for a short time. As a result, fair numbers of them have switched from adopting a negative to adopting a positive attitude toward price management.

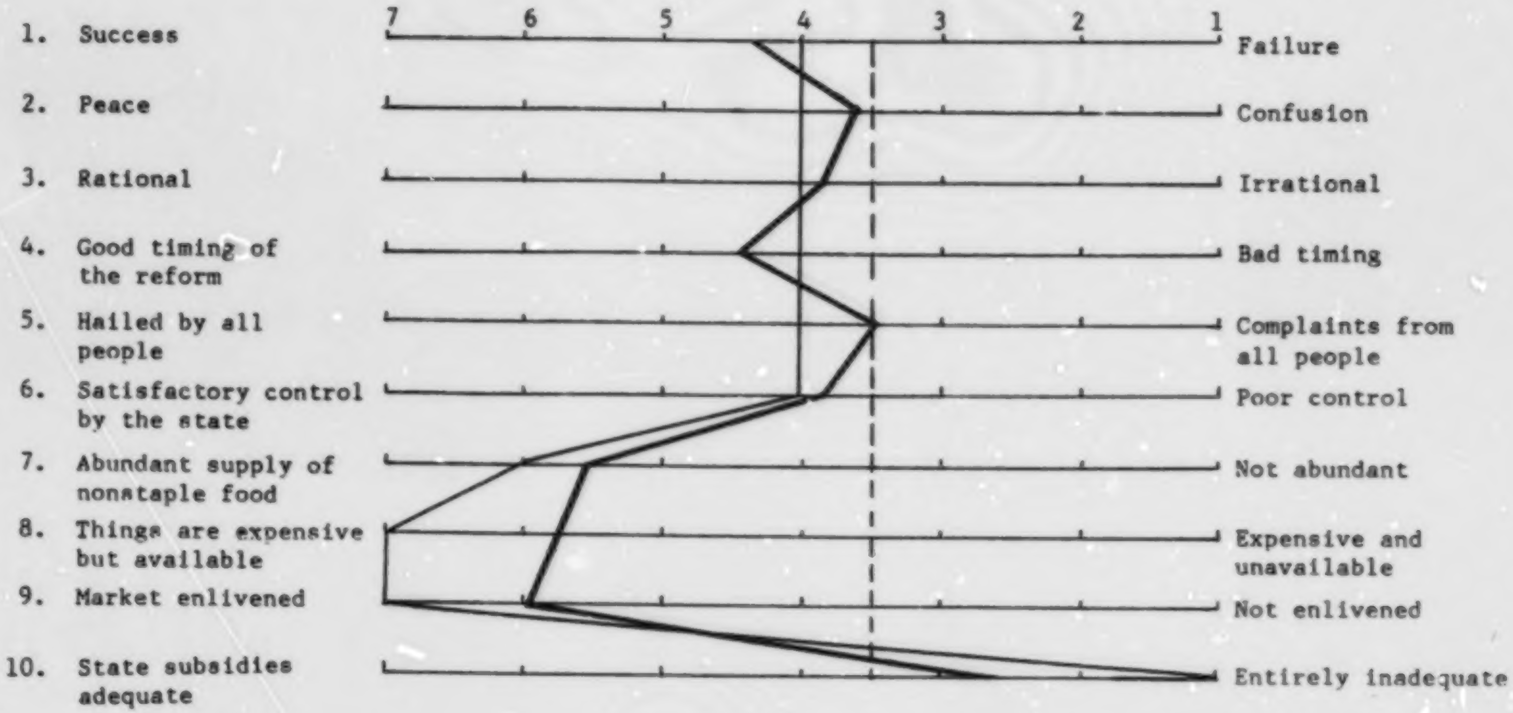
Table 3. The Choices of the Masses of People of the Schemes of Price Management

Unit: percentage

Schemes	Feb 1985	Jul 1985
1. All prices are fixed by state and strictly controlled	61.8	34.7
2. All prices are unleashed and determined by the market	5.9	6.7
3. Prices of some goods are unleashed and those of the others are contolled	30.8	58.2

1.8--In the investigation on the "Social Psychological Response to Price Reform" in last February, we found that among the 11 factors that affect the masses' evaluation of the reform, the "evaluation of the change in living standards" (a subjective index) ranked first, but the "per capita family income level" (an objective index) ranks last. There was no notable correlation between the two indexes. The conception of people on the question of whether their living standard is improved is in fact not clearly linked with the level of their actual income. This interesting phenomenon shows that in a sellers' market where people cannot get what they want even though they have money, consumption is not a direct function of income and the level of income is not equal to the actual living standard. It is far from adequate to regard a price index that contains many prices imposed by plans and do not reflect actual supply-and-demand relations simplistically as a macroeconomic index for controlling inflation. On the contrary, in the process of orbit switching, what has the most direct psychological impact on the masses of people is the prices of the things that they can buy with their money and the actual improvement of their living standard. The second survey in July once more proved the above tentative idea. The prices of nonstaple food are closely related to the standard of living of the masses of people. When the wage reform has not yet been comprehensively accepted after those price reforms that posed the greatest risk had been implemented, 73.4 percent of all people still felt that their standard of living "improved greatly" or "improved a little" (11.1 percent less than last February). Was this because of the income and subsidies? The conclusion was the contrary. A summary of the evaluation shows that the highest marks were scored for "market enlivened," "things being expensive but available," and "supplies of various kinds of nonstaple food being abundant," and that the lowest mark was scored under the heading of "state subsidies being adequate." Almost no one agrees to this idea. Obviously, the "dominant position of consumers" has been heightened. This was a fundamental reason why this price reform could have made progress of a breakthrough nature with a relatively low social psychological cost. It proves from another angle that the direction of the

Chart 1. Evaluation by the Masses of People on Nonstaple Food Price Reform



Note: This is a chart on a scale of one to seven: the higher the number, the better the evaluation. The thick curve shows the average number while the thin curve indicates the mode. The medium value is 3.5 which is indicated by the dotted line.

change of the "Kornai Index" conforms to the interests and desires of the masses of people.

1.9--What is particularly worth mentioning is that the results of another questionnaire investigation are heartening and show that the masses of people support and understand the reform.

Table 4. Degree of the Masses' Understanding of the Reform

Unit: percentage

Question	Entirely + Relatively Agree	Entirely + Relatively Disagree + Unsure
1. As long as the reform measures are good for our social and economic development, they must be adopted even if there may be relatively great risk to people's living standards.	78.3	21.7
2. The current reform has caused some confusion, but it is better than eating out of the same big pot.	77.8	22.2
3. As long as a person is really competent, he will never suffer losses after the reform.	80.7	19.3
4. As long as the reform can bring good results, we do not mind a temporary reduction in our living standard.	75.3	24.7

1.10--We can say with full confidence that the reform in the past few years has scored very great achievements. The operational mechanism of our economic system has begun to switch from the orbit of fulfilling the plan to that of satisfying market demand and supplies are conscientiously responding to demand. The stimulus of the development of production has begun to switch from the simplistic pursuance of output, output value, or growth rate to a pursuance of proftis and volume of sales. The introduction of the regulation of the market mechanism, the change in the composition of the objectives of enterprise management, and the constraints of market demand on enterprises have all caused the economic activities of our enterprises to deviate to a certain extent from the previous orbit of the control pattern.

The economic reform has made progress and thus provided favorable conditions for deepening the reform and achieving a transition from a product market to a means of production market and thus provided an orbit of operation that follows the regulation of the market mechanism. At the same time, it has strengthened the objective foundation for the government's positive intervention in economic life. The task that we are faced with today is neither to put our national economy back into the orbit of the old pattern in a Procrustean manner, nor to begin the reform again with another set of measures disregarding the tremendous breakthroughs that the reform has already achieved. Starting from dealing with actual economic problems and steadfastly pushing the reform forward on the basis of the achievements that the reform has already scored should be the basic starting point in judging and evaluating the economic situation.

II. New Challenge That the Reform Faces

2.1--On the basis of the basic understanding that the direction of our economic system has begun to be restricted by market demand, the tendencies, problems, and microeconomic mechanism of consumption and investment have already become the focus of the research in this report. After having achieved initial results in carrying out the reform in the past few years, the overexpansion of consumption funds and the investment thirst have already become grim challenges that we cannot avoid in developing our economy and carrying out our structural reform. In theory, this is a general malady that is apt to emerge in economic reform in a socialist country and is, therefore, a frontier topic of research of international level. It marks the beginning of a new stage in China's economic structural reform.

/A. The Overexpansion of Consumption Demand/

//Structural Wage Increase//

2.2--"More pay for more work done" is a reasonable demand by our laborers. However, it has always been impossible to accurately measure and compare the difference between labor of different quality. As labor cannot move, this forces the reform which is aimed at stimulating the production initiative of the producers to link wages, which should be determined by supply-and-demand relations in the market, with enterprise profits. We should not underestimate the impact of this reform in urging enterprises to earn profits. However, the economic results of an enterprise's operation is objectively determined by the combination of a variety of production factors. The planned distribution of production factors which we have implemented for a long time has given rise to extremely unequal conditions for the operation of Chinese enterprises. Take fixed assets alone as an example: in the enterprises under our investigation maximum per capita fixed-asset value was 200 times greater than the minimum. The major index that indicates the production initiative of laborers--labor productivity--not only could not correctly reflect the quality and amount of different labor, but basically also had nothing to do with the change in profits.

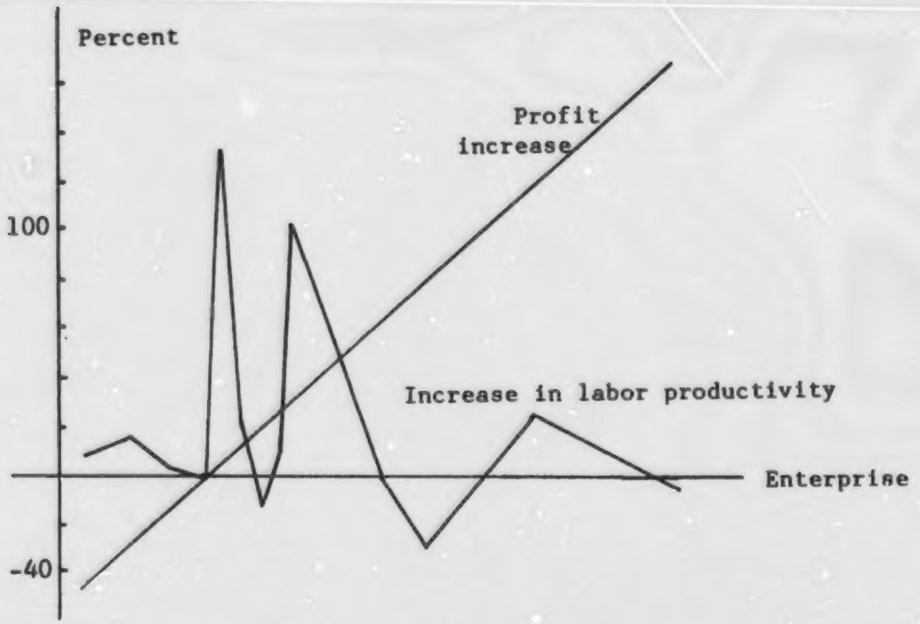


Chart 2. Distribution of the Increase in Labor Productivity and the Increase in Profits in the Enterprises Under Investigation (1984)

In the 56 enterprises where the rate of increase in profits was below -15 percent, labor productivity rose by over 10 percent on average; while in the 43 enterprises where the rate of increase in profits exceeded 120 percent, there was a negative average rate of increase in labor productivity. Obviously, in such cases, it was not wise to link labor remuneration with results (profits).

2.3--Logically, stressing distribution according to labor and "more pay for more work done" means negating the idea that wages should be linked with economic results which are the consequence of a series of unequal conditions. Strictly speaking, cutting off the relationship between wages and results conforms to economic laws. However, because labor cannot move, and because there is no competition in labor supply and no choice in labor demand, the reasonable requirement for equal pay for an equal amount of labor cannot be accurately evaluated through the relationship between supply and demand. In reality, this requirement can only be reflected by the distorted mechanism of "competing with one another in paying greater remuneration." After the taxi companies in Beijing reformed their distribution system, the busdrivers there asked to be transferred to taxi companies. The bus companies did not want them to be transferred and had to raise the busdrivers' wage level to that of taxi drivers. Whether we admit it or not, in fact wages have already been determined by the relationship between supply and demand--if drivers can participate in the competition for the jobs in taxi companies, the wages of taxi drivers will not be maintained at such a high level; and if busdrivers could be recruited in the society, the bus companies did not need to grant any wage increase totally unrelated to economic results.

2.4--Our country's product market has initially taken shape, but the means of production market has not yet begun to grow up. There are great obstacles to the movement of means of production and many of the barriers in our systems are almost unsurmountable. Once the prices of products are unleashed, the means of production cannot move in accordance with changes in remuneration. This will inevitably lead to a structural increase in the prices of goods. This mechanism has already been realized by many comrades. However, people have always failed to pay adequate attention to structural wage increases. The fact that lies behind the mechanism of "competing with one another in paying higher wages" which was explained as a psychological characteristic, is that as we have reformed our distribution system and unleashed some of our wage management, because of the lack of the necessary elasticity of our employment system, wage increases caused by local improvement of economic results have induced an all-round increase in the general level of wages through the transmission of a peculiar relationship between supply and demand which is characterized by enterprises being not able to dismiss or recruit workers. The unleashing of the prices of other products also tends to induce a rise in the general price level, but as we reform our planned allocation system and as we expand the decisionmaking power of our enterprises over their supply, production, and marketing, after all the means of production can realize a recombination through their movement and thus increase the supply of the goods in short supply and play a satisfactory role in constraining the sustained rise in the general price level. Because we have failed to reform the planned allocation system of labor since wages were partially unleashed, there has not been an appropriate mechanism to control the all-round rise in the general wage level.

2.5--Since the structural wage increase is the consequence of the operation of the objectively existing economic mechanism, naturally, there is sympathy for the practice of "competing to pay higher wages," it is understood and it is given tacit consent by the staff and workers of enterprises, factory directors, local governments and even the banking, taxation, auditing, and other administration departments. If we rely merely on the command-style control of wages, perhaps the results will be out of proportion with the management costs incurred, in particular the social psychological costs. In fact, no matter how ingeniously the calculation formulas and the schemes of links are designed, they will not be carried out to the letter. According to the figures collected in 429 enterprises, in 1984 alone, these enterprises increased through "negotiation" the share of their retained profits from 19.36 to 21.59 percent, thus pushing the proportion of bonus payments in their retained profits up from 25.43 to 36.70 percent. Despite the wide difference between the various operational conditions such as profits and labor productivity in various enterprises, the (gi-ni) coefficient [jini xishu 1015 1441 4762 2422] of the per capita retained profits in the enterprises, which was only 0.208 in 1983, dropped further to 0.182 in 1984. Undoubtedly, the mechanism of "competing to pay higher wages" has played a tremendous role in this. The above was only what the accounts revealed. There were other payments that were not recorded in the accounts. According to our rough investigation, in order to pay more bonuses and provide more fringe benefits, our enterprises have adopted a large variety of methods to deal with wage control. At present, there are over 40 methods, including setting up labor service companies and subordinate companies in order to overstate expense and get cash, debiting personal expenditure to administration expense accounts and thus overstating costs, making transferences through the bank accounts of collective enterprises, omitting the sales of products that the enterprises have sold on their own, issuing shares to staff and workers to pay dividends to them, and increasing the payments of untaxable bonuses. According to our rough calculation, the payments not recorded in the accounts alone totaled about 20 billion yuan in the whole country.

//Covert Expansion of Consumption Funds//

2.6--What China is implementing is a three-in-one planned labor-management system that covers employment, benefits, and social insurance. The redistribution of its national income must be done once and for all in the link of employment. As a result, social benefits and insurance expenses naturally constitute a part of total labor costs. Therefore, an expansion of wage consumption funds is inevitably accompanied by a sharp increase in various kinds of benfits. From 1978 to 1984, withdrawals from banks all over our country for wage payments rose an average of 11 percent each year. State price subsidies rose 36 percent each year (from 1978 to 1983) and labor insurance and benefit expenses rose 21 percent each year. In 1984, the whole country paid about 60 billion yuan of various benefits and subsidies for its urban staff and workers, an amount equal to 66 percent of total wages. From 1978 to 1983, the per capita national income created by urban staff and workers rose 9.28 percent, but the per capita cash and noncash income rose 100 percent in that period. If this covert expansion of our consumption funds is taken into account, China's wage costs will account for 13 percent of total cost, similar to Japan.

2.7--At the end of 1984, the balance of the purchasing power of our country's urban and rural residents was about 200 billion yuan, an amount that equaled 60 percent of the cash income of these residents or 36 percent of the national income. This year, the consumption demand is expected to rise 80 billion yuan. The irreversible trend of the expansion of consumption expenditure that accounts for about 80 percent of our national income has already constituted a great threat to our reform, development, and social stability; therefore, we must attach great importance to it and conscientiously deal with it.

!Expansion of Investment in Consumption and Lightening of Industrial Structure!

2.8--During the 7th 5-Year Plan, several hundred billion yuan in investment tasks will lay a foundation for the reinvigoration of our national economy in the future. In 1984, the extra-budgetary investment in fixed assets already accounted for 80 percent of the total social investment in fixed assets.

Continuing to increase the percentage of retained profits for our enterprises, allowing our enterprises greater decisionmaking power over their investment and reducing the investment included in the state budget and the actual implementation of the policy of "switching from allocating to lending funds" are a set orientation for our reform. The extra-budgetary investment whichs increasingly restricted by market demand will become the principal part of our expanded reproduction and the fulfillment of the readjustment of our industrial structure in the future. The structure of the distribution of resources that will take shape from this investment will to a very great extent determine whether we will be able to reinvigorate our national economy in an all-round manner after 1990.

//Expansion of Consumption-Oriented Investment//

2.9--The expansion of investment at present is characterized by the expansion of consumption-oriented investment and a relative shortage of production-oriented accumulation. By the end of last August, nonproduction investment accounted for 42.43 percent of the total capital construction investment of our country in the 6th 5-Year Plan period. At present, it has already become a common practice to divert the funds for technological transformation to residential housing construction. Even if we regard all the technological transformation and reserve funds as production accumulation, during the first 4 years of the 6th 5-Year Plan period, the rate of accumulation of a production nature dropped from to 24.41 percent from the 29.18 percent in the 5th 5-Year Plan period. It is estimated that by the end of this year production-oriented capital construction completed will increase 6.4 percent over the 5th 5-Year Plan period, but nonproduction capital construction completed will rise 128.76 percent. The increment of nonproduction investment will account for 87.75 percent of the total investment increment in capital construction. According to the statistics of 19 cities, from 1983 to the first half of 1985, nonproduction investment always accounted for about 60 percent of the total investment. Of the nonproduction investment, 70 percent was investment in residential housing construction. From 1982 to 1984, the accumulated investment in residential housing in the whole society accounted for 28 percent of the total investment of the whole society.

2.10--Nonproduction investment and residential housing investment are markedly characterized by rapid increases and rigidity. From 1978 to 1985, the average annual rate of increase in total social investment was 9.9 percent. That in nonproduction investment was 15.3 percent, that in residential housing investment was 11.3 percent and that in production investment was 6.6 percent. In a rigid employment system where employment, benfits, and social insurance are combined in one, residential housing investment has a rigidity similar to the "rigidity of wages." In 1981 and 1982, there was a reduction in investment. The nonproduction investment then accounted for 43.0 and 45.5 percent of the total amount of investment, respectively. In 1983 and 1984, there was an expansion of investment during which nonproduction investment then dropped to 41.7 and 40.3 percent, respectively. In the first half of this year, there was again a reduction, with the proportion of nonproduction investment in total investment again rising to 42.5 pecent. During the past few years, state macroeconomic policies have had the least impact on residential housing construction, which has always maintained a stable high growth rate. The greater the reduction of total investment, the greater the percentage of nonproduction investment in total investment. If this trend is allowed to continue for a long time, the long-term development of our national economy will certainly encounter trouble because of the shortage of production-oriented accumulation.

//Danger of the Softening of Bank Restrictions//

2.11--Under the condition of the rigid increase of consumption-oriented investment, if we want to ensure the necessary of production-oriented accumulation, we will inevitably cause an overexpansion of the total scale of investment. The investment-thirst syndrome in a traditional sense continues to be a serious threat on our economic development and on the relaxation of our investment control.

2.12--According to a generally accepted idea, the cause for the investment-thirst syndrome is the practice of keeping no economic accounts and eating out of the big pot. However, we should point out that the investment overexpansion today is greatly different from the several instances of financial overexpansion in history. It is taking place while the restriction of financial budgets to our enterprises is gradually hardening. Even today our enterprises do not really shoulder sole responsibility for their profits and losses. We have not yet thoroughly reformed our enterprise cadre system and therefore the people who made decisions on investment will only enjoy merit if the investment is a success and brings about progress and profits, but will suffer nothing if the investment proves to be a failure. Therefore, factory directors have no fear of bankruptcy and workers have no fear of unemployment. This continues to be a logical cause of the overexpansion of investment. However, as the reform develops, the restriction of our enterprises has, after all, been hardening. Except for key projects, the era of scrambling for allocation of funds and materials and goods has finally begun to pass away. After all, repaying loans is different from borrowing loans. As long as an investnent decisionmaker is not at the end of his rope, he is at least under the pressure of the necessity to pay bonuses to the staff and workers. This series of changes normally should at least to some extent ease the investment thirst. How are we to explain the emergence of another fierce rush for investment for which there has not been any clear sign of decline?

2.13--There are two questions directly related to the overexpansion of investment: 1) who is conducting the overexpansion; and 2) who is supporting the overexpansion. Today, the latter question is more important than the former. What is worth being highly vigilant against is that along with the substitution of taxes for profit delivery, while the financial restriction on our enterprises is being strengthened, the restriction of bank loans is being softened. The fierce expansion of investment in 1984 obviously did not have nothing to do with the loans that our banks took the initiative to offer our enterprises. Since the all-round reduction of investment, the expansion of our bank system has continued to have great impact on the long-standing difficulty of actually reducing the scale of investment. In 1984, the investment in fixed assets that was made by domestic loans all over our country rose 47.3 percent over 1983. From January to August this year, on the basis of the rapid increase last year, it further rose 129.8 percent, a rate of increase 2.6-fold the rate of increase of the investment in fixed assets with self-raised funds (49.6 percent). In 1983, loans accounted for 18.7 and 29.3 percent of extra-budgetary capital construction and transformation, respectively, but these percentages rose sharply to 20.5 and 35 percent respectively in 1984, and then to 26.5 and 44.3 percent, respectively, in the first half of this year. The all-round tightening of credit has resulted in a readjustment in the composition of bank loans. According to a summing up of the bank data of 18 cities, in 1983 loans for fixed assets accounted for 6.3 percent of total loans, but at the end of June 1984, this percentage rose to 6.8 percent, and by the end of 1984, it rose to 7.7 percent; by the end of last June it further rose to 8.9 percent.

At present, the investment in fixed assets for which the enterprises under investigation have used bank loans accounts for as high as 31.84 percent of their total investment. Loans for the investment of township and town enterprises have also risen by a similar percentage.

2.14--In the investigation under the heading of the "management restrictive factors" for factory directors, "shortage of funds" ranks second among the 16 factors under choice. In the investigation under the heading of "choice of sources of funds," the comprehensive mark for "borrowing from banks" ranks first among eight choices. It ranks first without exception in the 14 subdivided groups, such as publically owned enterprises, collective enterprises, rural and small town enterprises, enterprises under the jurisdiction of ministries, provincial enterprises, city enterprises, county enterprises, district enterprises, small town enterprises, ultralarge enterprises, large enterprises, medium-sized enterprises, small medium-sized enterprises, and small enterprises. This situation, on the one hand, shows that the reform has hardened financial restriction and makes banks the major suppliers of funds; and, on the other hand, it also gives us some uncertain hints and raises the question of why our enterprises regard all other seven possible sources of funds including "asking for allocation of funds from the upper levels" as sources that are inferior to "borrowing from banks." The statistics about "overdue loans" and loans that "cannot be repaid" prove that there have been signs of the softening of the restriction of our banks--a sector which was the "hardest" section in China.

Table 5. Softening of Bank Credit Restriction

	Jun 1983	Dec 1983	Jun 1984	Dec 1984	Jun 1985
Unrepayable/Overdue Loans	24.26	36.93	41.90	47.66	51.80

2.15--The softening of bank restriction is even more dangerous than the overexpansion of financial investment. In the financial tray, an expansion of accumulation necessarily means a reduction in consumption. Our banks however have boundless capacity in supplying funds and thus are able to realize a high degree of accumulation while there is an overexpansion of consumption. At present, it has already become a general rule for our enterprises to use their own funds for their bonus payments and fringe benefits and to use bank loans for development. Most of the retained profits that our enterprises have drawn from what would originally have been delivered to finance have been spent for consumption. This has given rise to an overheating of demand in our investment environment. The shortage of production-oriented accumulation and the fine investment prospects have brought about great pressure on the supply of funds by our banks, both from the spheres of macro- and microeconomic policy decisions. This has forced our banks to provide loans and then forced the central bank to issue currency. It seems that this is forming a certain kind of new economic mechanism. Under this situation, for every enterprise, the supply of bank loans can ensure the needs for both livelihood and production. For every bank at the basic level, the economic results of each loan may be fairly good. However, microeconomic rationality does not mean macroeconomic rationality. While every microeconomic action pleases all people, the softening of bank control will finally result in an all-round inflation characterized by oversupply of money.

2.16--The lesson gained by Yugoslavia was that as the policy of enterprises shouldering sole responsibility for their profits and losses in terms of financial targets was implemented, the consumption of the funds in the hands of the enterprises grew first, then the accumulation of the investment with bank loans grew next and then the increase of currency issuance closely followed suit. Compared with 1970, personal consumption in 1976 rose 273 percent, collective consumption rose 330 percent, investment in fixed assets rose 290 percent, and the rate of accumulation was as high as 40 percent. The price it paid for satisfying both the needs of production and livelihood was foreign debts and inflation. This was precisely what finance could not do.

//"Small Old Trees": The Scale of the Unit of Investment Becomes Small//

2.17--The overexpansion of the general scale of investment was only one aspect of the problem. As the share of retained profits for our enterprises increases, and as the power over investment is transferred downward, while the total amount of investment increases, the problem of the scale of unit investment being too small, a problem neglected by the people, will seriously emerge and be taken into our agenda in making policy decisions.

2.18--In the account of extra-budgetary funds of 23 cities in 1984, enterprises and responsible departments accounted for 76 percent of the income and 89 percent of the expenditure. The direction of the reform is intensifying rather than weakening this trend. Because 98 percent of the enterprises in our country are small ones, the reduction of financial accumulation and the increase in the funds in the hands of our enterprises directly mean that construction funds are dispersed and the accumulation funds in the hands of each unit become small in amount. Large- and medium-sized enterprises accounted for 57 percent of the enterprises under our investigation, a percentage much higher than the national average. The average retained profit was only 1.53 million yuan, of which over 500,000 yuan was production development funds. After deduction of the retained profits of large- and medium-sized enterprises, the average scale of retained profits for small enterprises was only 260,000 yuan, of which less than 100,000 yuan was production development funds.

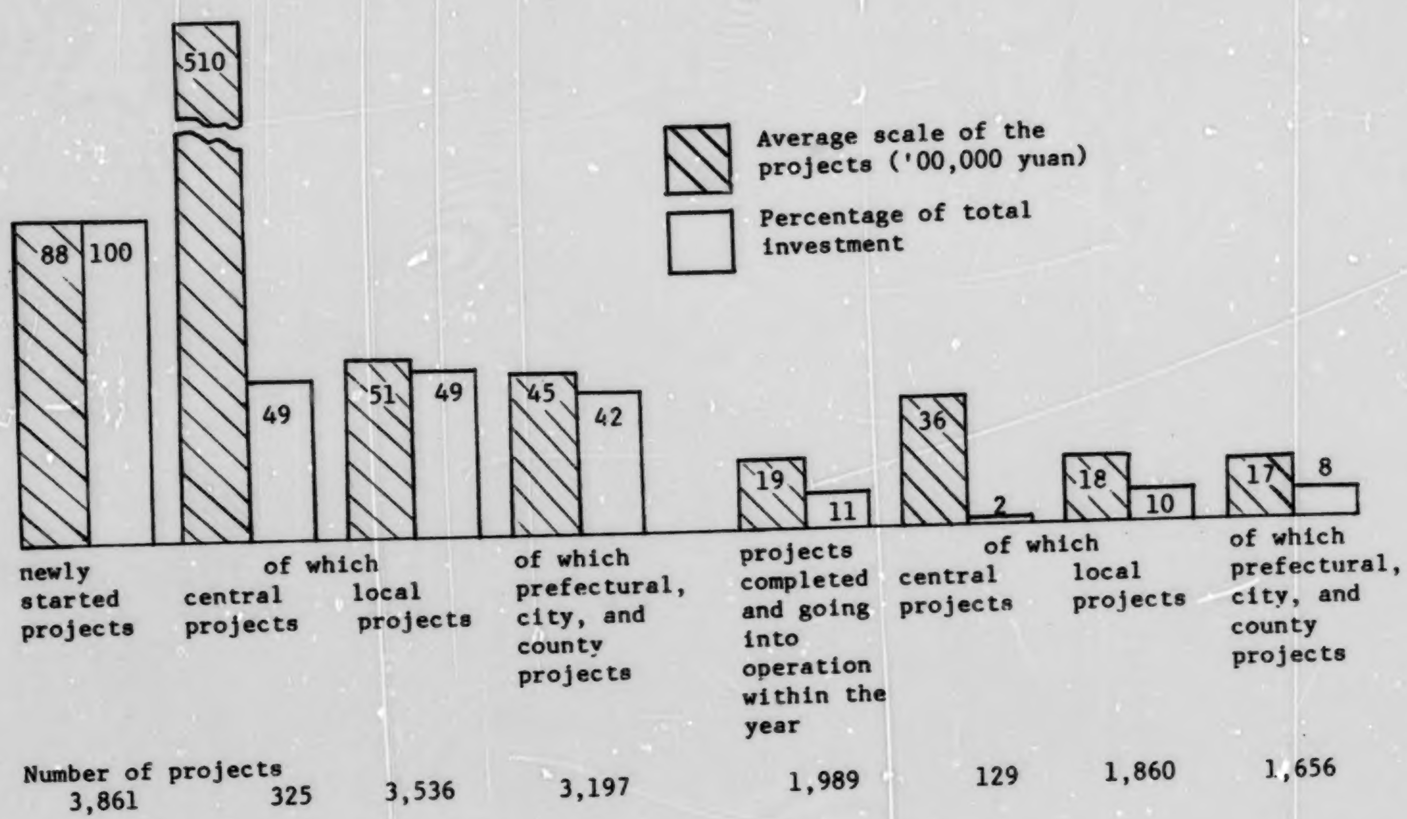
2.19--China's capital market is not fully developed. There is a shortage of funds available for loans, social division of labor is underdeveloped, and the mechanism of the combination and merger of enterprises has not yet developed. The dispersion of funds will inevitably lead to a dispersion of the use of funds. A summing up of the statistics about 10 cities shows that of the 3,212 projects of capital construction in 1984, only 5.5 percent were projects with over 10 million yuan of investment, 52.0 percent were small projects with an investment below 500,000 yuan and the average investment was only 237,000 yuan. The average investment of the projects with less than 10 million yuan in investment was only 1.18 million yuan.

All the above statistics were collected from the state-owned sector. If the investment made by collectives, townships, towns, and individuals, which accounted for 35 percent of the total scale of social investment in fixed assets in 1984, were also taken into the calculation, the problem would be even more outstanding. By the end of 1984, the average fixed assets at cost value in our rural and small town enterprises was 35,000 yuan, less than 0.5 percent of the average of state-owned enterprises.

2.20--The reduction of the scale of the unit of investment seriously restricts economic results. In the period when Japan enjoyed a high growth rate, the investment by its people gave rise to the establishment of the biggest iron and steel works, chemical plants, shipyards, and automobile plants in the world at that time. Generally speaking, the large-scale investment induced by an economic boom and expanding (batch) production and the unit of investment are two aspects of the same thing. The reality in our country today is an overexpansion of total investment scale and the excessively small size of unit investment. Take projects with the greatest investment enthusiasm, for example. The smallest rational scale of a washing machine plant is an annual output of 200,000 washing machines, but in 1984, only 9 of the more than 130 washing machine plants in the whole country reached this scale. There were more than 110 refrigerator plants in the whole country, but the average capacity was only some 4,600 refrigerators a year, much lower than the rational scale. At present, there are more than 100 automobile plants in the whole country, nearly everywhere except for Xizang and Ningxia. The average scale is some 2,000 automobiles a year. Those that conform to the requirements of the economy scale are the few whose investment was made by the state.

2.21--The excessively small scale of the unit of investment is a direct challenge to the train of thought in the current reform. The emergence of over 1,000 "self-inclusive" blast furnaces has sounded an alarm that we should by no means ignore:

Chart 3. Average Scale of Newly Started Capital Construction Projects in the Publically Owned Sector in Sichuan Province in 1984



First, we have had great success in our price reform. The implementation of the "double-orbit system" of the prices of rolled steel reflects with relative objectivity the supply and demand relations in our market. This has caused our resources to redistribute according to the orientation of market demand.

Second, even if our price reform has succeeded, even if the decisionmaking power of our enterprises has been expanded and even if we have the means, such as interest subsidies provided by government finance, to support the development of industry, it is impossible to rely on the basis of the universal and scattered development of "small old trees" for the reinvigoration of our national economy.

//"Short-Term, Cheap Projects with Quick Results:" Moving Toward a Greater Emphasis on Smaller Scale Projects//

2.22--Among the investments of a production nature, the investment of extra-budgetary funds is clearly characterized by the pursuit of short-term economic results.

Since 1978, our country has decided to adopt a policy of developing the production of consumer goods. This has played an important positive role in bringing about a turn for the better in our economic situation and the stability of our society. However, there has not yet been any precedent whether a big country can make its economy prosper by relying on a (light) industrial structure. At present, on the one hand, the expansion of consumption demands is giving impetus to the development of production and investment related to durable consumer goods; but, on the other hand, the small size of unit investment caused by the decentralization of investment functions has given rise to a relative shortage in the investment in our heavy and chemical industries whose technology has a relatively little elasticity. The tightening of credit and the difficulty in raising funds has not only caused the size of investment to become even smaller but also further forced investors to pursue short-term results. "Short, cheap projects with quick results" has become a general principle in selecting investment projects at present. This is a new problem that is unfavorable to our long-term development.

The problem is serious because there is a vigorous trend for investment structure to become increasingly light and there is no sign of improvement in this trend. At present, the structure of China's industrial investment is greatly different from the average investment structure of per capita national income of the United States, Japan, France, Britain, and the FRG, the average structural variance being 22.56 percent. In 1965, Japan's output value of chemical and metallurgical industries accounted for 30 percent of its total industrial output value and the investment in these two industries still accounted for 26 percent of its total industrial investment. In 1984, the two industries accounted for 20 percent of China's industrial output value and the investment in them accounted for only 20 percent of China's total investment, thus we can see that there has been a trend toward enlargement of this structural difference.

2.23--As investment is dispersed, the increase in ordinary investment greatly exceeds the increase in investment in the key construction sectors, such as the energy and communications sectors. From January to June 1985, the proportion of the investment completed in our energy industry in our total investment dropped to 19.7 percent from the 23.8 percent in the same period last year and that of the investment completed in our transport, post, and telecommunication sector in our total investment dropped to 13.9 percent from the 15.1 percent in the same period last year. During the 6th 5-Year Plan period, the newly added production capacity in our railway, highway steel, and power-generating sectors was to a different extent less than that in the 5th 5-Year Plan period. This caused the development of raw materials industry fail to meet the demand of our economic development. In the first half of 1985, our gross industrial output value rose 23.1 percent. Calculating on the basis of the consumption coefficient of industrial output value to metallurgical industrial output value (which averaged 0.084 from 1980 to 1984) and calculating on the basis of the return to investment in metallurgical industry (0.66), the corresponding investment in our metallurgical industry should have been 10.4 billion yuan, but the actual investment in this industry in that period was only 3,384,000,000 yuan. The relative shortage in the investment in our metallurgical industry will undoubtedly delay the effort to put an end to the passive situation in the past few years whereby we relied on imports to maintain the development of our domestic industries.

2.24--Only 15 percent of the production equipment in our country's metallurgical industry is of the 1970's, 70 percent is of the 1950's and 1960's and 15 percent is still of the 1930's and 1940's. The task of investment in our energy and communications industries is even heavier. As the reform further develops and as the retained profits of our enterprises continue to increase (this at the same time means a reduction in the share for the state finance), the functions of investment will certainly be increasingly dispersed and undertaken by extra-budgetary funds. According to the marked characteristic of the current extra-budgetary investment in pursuing short-term profits, we can foretell that at the appropriate time the trend of making the structure of our industry lighter will certainly seriously hinder the taking off of our national economy.

III. Alternatives of Reform Orientation

/A. Difficulties, Opportunities/

3.1--During the 7th 5-Year Plan period, we have to undertake the three major strategic tasks of reform, development, and improving the people's living standard. Continuing to streamline our administration and decentralizing power as envisaged by the reform, we are faced with several dilemmas: 1) The problem of the "immediate emergence of overexpansion after the relaxation of control" which is a contradiction between reform and economic stability. An enterprise cannot be really enlivened if it has no decisionmaking power over its internal distribution and expanded reproduction. There is no appropriate mechanism to weaken the mechanism of "competing for high speed of development," therefore, the expansion of consumption will inevitably induce new excessive growth and a rush of investment. At the same time, the lack of impetus for production accumulation may force bank restriction to soften and thus cause an inflation characterized by alternate rises in consumption and accumulation. 2) There is a contradiction between reform and the readjustment of the composition of our undertakings. The adoption of different stimulatory policies for different industries, areas, and enterprises is the major element of the practice of adopting economic regulatory means to readjust the composition of our undertakings. The consequence of the role of the mechanism of "competing for high speed of development" is that any local stimulatory policy may quickly cause an all-round consumption expansion. As a result, there is very little maneuvering room for macroeconomic policies and we must undergo the risk of an imbalance in total quantities in the implementation of many structural policies. 3) There is a contradiction between the reform and our long-term economic development. The final orientation of the reform is to transfer the functions of investment down to the enterprises who shoulder sole responsibility for their profits and losses. But the small size of the unit of investment, the overexpansion of nonproduction investment and the trend of production structure becoming lighter which will be caused by the decentralization of investment power run to various degrees against the goal of our long-term economic development. This will make it difficult to continue to carry out the reform of streamlining administration and decentralizing power in an all-round manner.

3.2--In choosing the orientation of the reform, we should not only fully utilize the possibility provided by the reform that has already been carried out, but should also be able to provide greater room of choice for reform in the future. This requires us to look for and utilize new opportunities in the new challenge we are faced with in order to pursue sustained progress of the reform. The overexpansion of consumption funds and investment has added difficulties to the streamlining of administration and the decentralization of power according to the original concept. From another point of view, the "two overexpansions" have provided certain opportunities in another sense for the deepening of reform. The longing for higher income, the intensification of the mentality of competing with one another, and also the past few years of the training of market economic life have greatly enhanced the desire of the mass of people to move to and choose new jobs. It is hard for this desire to take shape under the system of eating out of the same big pot. The attitude of people toward employment has switched from avoiding risk and pursuing security to pursuing opportunities and preferring risk. The investment thirst and the small size of investment have urged our enterprises to develop new means to raise funds and widen the channels of funds available for loans, has enhanced the desire of our enterprises to carry out joint ventures with one another, and thus has provided favorable conditions for the emergence of a fund market, the reform of our banking system, and the realization of the reorganization of industries through the organizational function of positive government intervention. The new dilemmas and opportunities tell us that the reform has already entered a new stage and is faced with new choices.

3.3--The challenge that we will face in the 7th 5-Year Plan will be very grim. Before we are able to thoroughly control the mechanism of the two overexpansions, for the safety of the reform, we must resolutely implement without the least hesitation, certain "remedial" measures which though of a defensive nature, are the choice under the circumstances of there being no other choice. However, because laying too much stress on administrative means of control cannot radically solve the problems related to the mechanism, the lifeless deadlock will not be maintained for a long time. The problem lies in the machinery of the operation of the microeconomic system; therefore, there will, on the contrary, be relatively great risk of "losing the whole game by a careless move" if we rashly switch from mandatory administrative control to the application of direct economic means. Moreover, there are, after all, very limited means of macroeconomic control in the West which are based on the precondition of a complete market economy. The wage reform which is the most difficult link of reform in our country and other socialist countries is precisely what is missing in the system of Western means of macroeconomic control. Therefore, resolutely and prudently deepening our microeconomic reform while strengthening the macroeconomic administrative control over the total amount of wages and volume of credit must be a correct choice.

3.4--The prerequisite mechanism that can really control the overexpansion of consumption funds is the unemployment of staff and workers; while the prerequisite mechanism that can thoroughly cure the investment thirst is the bankruptcy of enterprises. Squarely facing the grim challenge, deepening our market, switching our reform from a product market characterized mainly by a price reform to a deeper level of the reform in labor and fund markets, and at the same time supplementing the above by a readjustment of our consumption policies and industrial organizational policies is the reform orientation that we can choose in the 7th 5-Year Plan period.

/B. The Decision To Introduce the Regulation of Market Mechanism Over Wages/

3.5--The all-round rise of the general wage level caused by the mechanism of wage competition is a judgment made by life experience. An abstract discussion of wage levels is meaningless. The reality in China is the coexistence of a large-scale structural "on-the-job unemployment" in our cities and a large amount of surplus labor in our rural areas. Cheap labor is itself a major advantage for the reinvigoration of China's industry. The overexpansion of consumption funds under the system of rigid employment has precisely turned this advantage into a disadvantage. Both from the point of view of the current situation and from the point of view of economic reinvigoration in the future, the sustained high level of and the continuous rise in labor costs are very unfavorable. Giving full play to the advantage of "boundless labor supply" which Eastern European countries do not have in carrying out their reform, prudently and gradually breaking the system barriers to the movement of labor, allowing labor to move between sectors of different ownership and between urban and rural areas, and allowing surplus labor to enter the competition for employment is the choice to achieve a mechanism to radically control the overexpansion of consumption funds and the sustained rise in the general wage level.

3.6--Not only can the emergence of a labor market and the movement of labor directly control the rise of wages through the employment competition caused by the increase of labor supply, but it can also lower people's self-evaluation and expectation for income and thus indirectly control the rise in wages through weakening the mentality of rising expectations. No matter what employment system we adopt, there will always be a mentality of rising expectations but under the conditions of labor being not able to move, most people cannot pursue any jobs other than those they already have, not because of lack of ability but because of lack of opportunity. This has greatly heightened the mentality of rising expectations.

The mentality of rising expectations is social as well as economic. Under a rigid employment system, there are rare opportunities for movement (vertical movement) in jobs, movement that can change people's social status. This has given rise to an extremely strong desire for social status among the masses of people and other social demands, such as the demand for giving play to one's strong points and satisfying one's interests. An investigation of the job evaluation and choices among our youths proves that our youths' job choices are mainly based on social status rather than economic status. They have a strong desire to improve their social status and satisfy their personal social demands. The results of the investigation show that the order of the choices of jobs is highly and notably correlated with the order of the social evaluation of jobs (ρ equals 0.9727) and is not correlated with the order of the evaluation of the economic status of jobs. Among those under the investigation, 62.6 percent have expressed their "desire to have decent jobs even if the income is not very high"; 85.5 percent have expressed the idea that "I only hope that my job meets my interest"; and 95.5 percent have expressed the view that "I only care whether I can give full play to my ability in my job." The social job demand is so great that we are able to fully utilize the mentality of social upward mobility to weaken the mentality of economic upward mobility. Many peasants and individual households are longing for the opportunities to give up their relatively high income and enter the social stratum of earning fixed wages. What is the reason for this? Their social desire is greater than their economic desire. The unleashing and softening of the employment system will provide these people with the opportunities to take jobs with relatively low income and relatively high social status and will facilitate reducing the mentality of economic upward mobility of the existing employees.

3.7--The rigidity in China's employment system originates from the duplication of social benefits and social insurance. The simultaneous operation and interaction of the three systems of supplying commodity food grain for employees, social benefits, such as free medical services, and social insurance, such as retirement pensions and unemployment insurance, make employment the only means to attain the social benefits and social insurance goals of the state. This has given rise to a series of ration distribution mechanisms and caused the enlargement of the scale of employment to become a heavy financial burden on the state. Now, in reverse, it has become a serious barrier to the movement of labor.

3.8--The combination of employment, benefits, and insurance has resulted in people confirming the latter and doubting and negating the former two. The investigation entitled "Social Psychological Response to the Reform in the Social Insurance System" shows that 74.5 percent of the people under investigation support the pension system, while 50.8 and 50.5 percent of them, respectively, adopt the attitude of doubting and negating unemployment insurance and free medical services. The masses' judgment conforms to common sense. The reform achievements in the past few years have enabled the masses of people to make a progress that is unexpected for us in their understanding of many major issues that are related to their immediate interests.

Table 6. Trend of Movement of Urban Staff and Workers

Unit: Percent

Question	Willing	Unwilling
Change job	48.2	24.1
Change the unit that one works in	50.2	23.5
Choose jobs freely without fear of possible unemployment	51.2	48.0

Our youths, who account for 60 percent of the employed population, even less appreciate the current employment system and 61 percent of them are willing to undergo the risk of unemployment and independently and freely choose their jobs.

At the same time, factory directors also have a strong demand for movement of labor. Among the 16 factors that restrict their management, they regard the "shortage of personnel" as the greatest restrictive factor, put "improper labor and personnel system" before the "supply of raw and processed materials" and put "shortage of funds" in third place.

3.9--According to our investigation, the social risk of dismissing workers is not so dreadful as we imagined at first. The key to the question of whether we can realize the movement of labor is the establishment of a safe employment social insurance system. We have asked the question: Should the redundant employees be dismissed under the conditions of "guaranteeing the minimum living standard of the staff and workers and their relatives" when a factory that needs 1,000 employees is now employing 1,200 employees? Affirmative answers accounted for 71.8 percent, negative only 28.2 percent. To the question of what one would do if one were dismissed, only 16.5 percent of the people under investigation chose the answer of going to the leading groups to solve their problems, 5.8 percent chose the answer of taking unemployment relief, while as many as 64.3 perent chose the answer of looking for another job and 13.3 percent chose the answer of becoming individual traders.

Protection during unemployment is a necessary guarantee for the movement of labor. At present, 48.2 percent of the people already uphold the establishment of an insurance system with premiums paid jointly by enterprises and their employees, 26.6 percent hold that as long as the income is high when one is employed, one can support oneself when one is unemployed, while 24.7 percent hold that state relief is necessary when one is unemployed.

3.10--Another important judgment related to the risk of dismissing employees is that after the unleashing of labor movement, what will first take place is not the reduction of the general scale of employment. What will first take place will very possibly be a structural readjustment of the employment of labor that is very favorable for the readjustment of our industrial structure and for the improvement of our economic results. We have made an investigation about our factory directors' "impetus to dismiss employees." Among the 16 factors that restrict enterprise management, in spite of factory directors' great demand for labor movement, the issues related to cutting down the number of employees, such as "excessive number of redundant employees," "staff and workers not keeping their minds on their work," "being unable to recruit qualified workers," and "the number of retired employees being too large," respectively rank 12th, 14th, 15th, and 16th. Under the assumption that factory directors have decisionmaking power over personnel affairs, the ratio of the number of staff and workers that the 359 factory directors want to dismiss to the number that they want to employ in addition to the existing work force is 1:1.2, the increase being greater than the reduction. This will result in a readjustment in the structure of the employment of labor.

3.11--The reality now is that a labor market is quickly taking shape independent of peoples' will. The large volume of the movement of scientific and technological workers on the basis of "suspending pay while reserving job recovery rights" has already made an extremely great and psychological change in peoples' views on employment. Many enterprises have also been recruiting large numbers of contract workers, temporary workers, and even casual laborers from peasants under the condition of undertaking no insurance obligation while laying off some state-employed staff and workers. Objectively, the reform in the systems of employment, social benefits, and social insurance has been placed on the order of the day.

3.12--In short, during the 7th 5-Year Plan period, we can consider the issue of creating conditions for labor movement and gradually enabling a labor market with competition to take shape while strengthening control over the total amount of wages. In doing so, we should take into consideration differences in age (our investigation shows that this is very important as the attitude of people varies greatly as their age varies), professions, posts, the nature of ownership, the level of employment in different trades, and the organization of labor. We should regard as the core the establishment of an unemployment insurance system, regard recognizing the existing fringe benefits and switching from granting covert subsidies to granting overt subsidies as the major elements of the reform, and thus separate social welfare and social insurance from employment. We can even consider prudently guiding in a planned manner the entry of some peasants into urban areas in order to enliven employment competition in our labor market while refraining from relaxing our control over residence registry.

Of course, we cannot really and completely eliminate the overexpansion of consumption funds if we rely merely on the establishment of a labor market. But undoubtedly, removing the barriers to the movement of labor can be regarded as a drastic measure in restraining the mechanism of rising expectations. At least, separating employment from social benefits and social insurance will play a role in curbing covert expansion of consumption and in curbing the expansion of consumption-oriented investment. Labor movement will not only be able to exercise a curb on the mechanism of consumption-oriented expansion funds, but will also facilitate strengthening enterprise administration and management and invigorating enterprises and will in addition be able to improve our employment structure and promote the readjustment of our industrial structure. What we should particularly be pointed out is that this will effectively correct a major shortcoming of our reform, namely, so far the reform has only brought new risk and losses to the masses of the people (such as price and wage fluctuations), but has not brought them corresponding new opportunities (such as the possibility of making efforts to find jobs with better pay or social status). Therefore, the opening of a labor market will facilitate heightening the masses' level of satisfaction with and support for the reform instead of the contrary.

/C. Push Forward the Reform in Our Banking System and Perfect Investment Mechanism/

3.13--Perfecting the investment mechanism involves many problems, such as those related to fund supply, placement of funds, and the principal body of investment. Strengthening our restriction to the funds in the hands of our enterprises, curing the investment thirst, improving economies of scale in our investment and production, and speeding up the readjustment of our industrial structure all need a developed means of funds available for loans and demands a profound reform in our banking system. In order to foster a new type of investment entities with relatively great foresight and strength while reforming the investment mechanism with governments as the investment entities, it is necessary to foster a mechanism for the growth of groups of enterprises. In order to attain this goal, relying merely on "unleashing" is not adequate. Straightening out our investment mechanism in an all-round manner by combining reform and control in several spheres is one of the directions we can choose to strive toward.

//The "Double Orbit System" of the Reform in Our Banking System//

3.14--Establishing a dual-level bank system should be based on the practice of turning basic-level banks into enterprises. Now our banks undertake all the economic and social functions related to currency circulation including state finance and taxation, paying wages for administrative institutions, social relief, and national defense expenditure. Pending the consideration of the division of these functions, logically, turning basic-level banks into enterprises is at least conditioned by making our industrial and commercial enterprises shoulder sole responsibility for their profits and losses. Furthermore, under the circumstances of our country's banks performing the functions of supervising and managing the finances of most of our enterprises, rashly turning our banks into enterprises may give rise to an all-round decontrol of our enterprises and to the malpractice of banks taking the lead in conducting speculation and giving bribes and exploiting their power (the power of monopoly over fund supply) to pursue their private ends.

3.15--While we are hesitating in carrying out a reform in our banking system, a new sector of "nongovernment credit" has suddenly emerged, particularly this year under the deflationary environment. The activities of this sector cover both the raising and placing of short-term and long-term funds and are diversified in forms. The major aspects of the activities are: 1) Short-term placement of funds. The findings in the enterprises under investigation show that at present, commercial credit between our enterprises has already become a major factor in supporting economic activities in our country. In 1984, the scale of commercial credit was equal to 35 percent of the volume of bank loans for floating funds. This year, it has risen to 42 percent and accounted for about 20 percent of the sources for the floating funds in our industrial enterprises. This portion of credit activities has made up for the shortage of floating funds for our enterprises, to a certain extent performed the function of extra-budgetary quasi-currency, and has constituted an important support for our economic growth this year, and one which is not rigid in spite of the strict control. 2) The activities to raise medium- and long-term funds. During the past year, the practice of local governments raising funds to carry out joint-venture projects between enterprises of very different nature, enterprises raising funds within their own operation, and the raising of social funds has developed very vigorously. In some areas where the economy is relatively developed, the value of the construction conducted with funds raised by the above-mentioned means has exceeded 50 percent of the volume of bank loans. In the multiple choice questionnaire on sources of funds among factory directors, "raising funds within the enterprises" ranks second among eight choices, next only to "bank loans" ("raising funds from the community" ranks sixth). 3) Mutual-aid financial organizations. In the rural areas in Jiangsu Province, "management service companies" have already switched from the previous business area of providing pre- and post-production services to that of providing services related to the placement of funds. These companies become the pillars in placing funds among township and town enterprises. Some textile enterprises in Shanghai Municipality and 14 companies in Shekou Industrial District have each set up fund placement centers which perform the function of banks inside enterprise groups. 4) Local development investment companies. The above-mentioned financial organizations and forms of fund placement are characterized by flexible management, and by participants undergoing risk on their own and having many choices. Their development will only reduce the degree of reliance of our enterprises on the state, promote the division of labor of banking service, and diversify the variety of banking assets and the forms to raise funds, but also provide greater room for choice in the reform of our entire banking system.

//Strengthen Mandatory Control Over Total Volume of Credit//

3.16--Carrying out a reform in our banking system by starting from helping develop the nongovernment credit sector is a concept for a relatively feasible reform with relatively small risk. Realizing this concept depends on strengthening the restriction of our banks, giving away a piece of the market from the large and unified banking system and following a path similar to the "double-orbit system" related to means of production. The "double-orbit system" in our banking system is more difficult to implement than the "double-orbit system" related to means of production. What is most important is that if we fail to appropriately strengthen the restriction of our banks, nongovernment credit activities will very possibly become a new channel for credit expansion and even provide opportunity for some enterprises or individuals to utilize bank loans to earn profits for their own gain. At the same time, the boundless expansion of bank loans will make it difficult to eliminate the universally existing mentality of enterprises being subordinate to governments at various levels and will also make it difficult for the nongovernment credit sector to get its market share. Therefore, we must intensify administrative control over the financial activities of state banks. Depending on the development of the implementation of the deflatory policies this year, so long as we can persist in exercising mandatory control, we will be able to hold one sector tight and thus avoid the malpractices that may emerge when bank loans are linked with nongovernment credit activities. At the same time, so long as nongovernment credit activities can develop, the practice of seeking uniformity in our banks will not bring too great harm to our economic development. Through this banking reform which allows one sector to grow and the other to be reduced in scale, "double-orbit prices of funds" that reflect the supply and demand relations of funds will take shape. At the same time, we will try to apply a variety of indirect macroeconomic means of control and thus create conditions for the reform of our bank system.

//Carry Out Reform Related to Enterprise Bankruptcy//

3.17--According to an investigation on the only four cases of enterprise bankruptcy in the whole country, we hold that first of all the problem whether our enterprise can go into bankruptcy is not the question of who is bankrupt in terms of ownership, or the question of how we are to deal with the debts and fixed assets. The greatest difficulty is how we are to deal with the benefits and insurance enjoyed by the employees of the bankrupt enterprises. The reform in our social insurance system and the realization of protection during unemployment can provide a precondition for the reform of enterprise bankruptcy.

According to our investigation, at present there has been a certain foundation of mass support for the implementation of the reform related to enterprise bankruptcy.

Table 7. The Attitude of Masses Toward Enterprise Bankruptcy

Question	Answer	Percent
What do you think should be done if enterprises are allowed to go bankrupt?	The state undertakes all the consequence and assigns new jobs.	50.3
	State pays living expenses and staff and workers look for jobs on their own (including become self-employed individual traders).	49.7
What will you do if the enterprise you work in goes bankrupt?	Look for job on your own.	51.8
	Find ways to become an individual trader.	35.0
	Rely on leadership in solving job problem.	10.0
	Can do nothing but receive relief from the state.	3.0

Staff and worker understanding of bankruptcy and their actual choices of the possible ways out are all unexpectedly clear. As the reform in our social insurance system develops, the rapid implementation of the reform related to enterprise bankruptcy will no longer be an unrealistic idea.

//Pay Attention to the Horizontal Restriction of Our Enterprises//

3.18--There are three restrictions to our enterprises in terms of funds: financial restriction, bank restriction, and the horizontal restriction between enterprises and between enterprises and society or individuals. Among these three restrictions, as the substitution of taxes for profit delivery is carried out, the financial restriction tends to harden, there is a danger of the softening of bank restriction, and the horizontal restriction to our enterprises is the hardest. Whether an enterprise can borrow money from other enterprises or individuals is not determined by its ability to persuade and scramble in the traditional system, but is determined by its reputation and strength. Moreover, the money borrowed must be repaid and there is no way to repudiate the debt. Moreover, we must pay attention to helping develop horizontal relations between enterprises. In a marginal sense this will have a positive impact in effectively (hardening) restrictions on our enterprises and changing the behavior of our enterprises. In this sense, we can say that the "double-orbit" reform in our banking system under the deflatory environment also plays an important role in helping harden restrictions on our enterprises.

//Help Form Enterprise Groups//

The foundamental problem related to the investment structure at present is that our enterprises lack concern and impetus for their long-term development. Besides the necessity to further promote the reform in the systems in our enterprises and to improve their behavior, the excessive dispersion of investment funds constitutes an objective obstacle to achieving economies of scale and emphasizing larger scale industrial structures. Therefore, the reform in the organizational structure of our enterprises and in particular the positive intervention by our government in this process is another important task in perfecting the investment mechanism in the 7th 5-Year Plan period.

The experiences gained by developed countries has proved that as long as antimonopoly measures are appropriately applied, the formation of enterprise groups can vigorously promote economic development. The highly concentrated enterprise groups in Japan form the core in promoting technological progress and foreign trade as well as the principal force in implementing the government's structural policy and development plans. One of the major tasks in our country's reform for a period to come is to form, through measures that promote horizontal links between enterprises, entities of investment and technological progress that have both strength and foresight, and to form new types of enterprise groups that not only make large-scale investment and promote the specialized division of labor among enterprises, but also facilitate the "window guidance" of the government.

3.20--We really have conditions favorable for helping form enterprise groups. The intensification of the restriction of market demand has already made our enterprises feel an urgent need for combination. The results of our investigation among factory directors on "combination tendency" show that 88 percent of the enterprises are willing to form certain combinations, with other enterprises, and that 45 percent of them are willing to form joint-venture enterprises with joint capital or merge with other enterprises.

In our real life, there are many factors that will help form enterprise groups. For example: the mutual aids related to funds between enterprises may cause medium-sized and small enterprises to form combines and thus give rise to a group of "small old trees" with their internal banks as the cores; dividing a large enterprise into small accounting units will enable it to thrust its feelers deep into all levels and directions of our economy and thus promote horizontal economic cooperation; the economic efforts of our enterprises to control their costs and the quality of the products they process and to ensure the supply of their raw and processed materials and the sales of their products will cause systematic combinations between enterprises to widely develop, and so on. In this sense, the "double-orbit" reform in our banking system is also of positive significance.

However, in an environment of extremely underdeveloped market for the means of production, if we rely merely on the spontaneous self-organizational function, it will be quite difficult to form enterprise groups on a societywide scale within a comparatively short time. Therefore, giving play to the advantages of "fishing projects" and "joint-venture projects" and giving play to the organizational function of our government and big enterprises in order to speed up this process should be the focus in formulating our policies. For example: Can we regard making enterprises maintain one another's shares on the basis of the horizontal relations between commercial and credit enterprises as the starting point for the formulation of our policies in managing extra-budgetary funds, organizing "joint-venture projects" and projects with pooled funds, and carrying out experiments to turn firms into share companies? Can we give priority to, and regard as the key, the development of internal funds placement centers in the train of thought of the "double-orbit" reform in our banking system? Can we consider changing the even dispersive allocation of funds and establishing funds for enterprise groups in decentralizing financial power in the 7th 5-Year Plan period? Can we link our tax reform (in particular the progressive enterprise tax), readjustment of our credit policies, and our policies to support industries with the expansion of the scale of our enterprises and the reorganization and merger of our enterprises?...

The reform orientation put forward in this report for selection is only meant to be a tentative suggestion. In order to put forward a feasible train of thought for the reform, it is still necessary to make great efforts to deepen our research into the reform.

Starting from the practical viewpoint that China lacks regulation of the market mechanism, we began our reform in our rural areas and followed the line which regards streamlining our administration and decentralizing power as the basic guiding thoughts in our reform. Through several years of efforts, we have scored marked achievements. The operation of our economic system has begun to tip toward the market orientation. This has created a much more advantageous foundation than that at the beginning of our reform for our reform to make a deeper breakthrough in development regulation of the market mechanism. At the same time, the current reform is faced with new grim challenges. First, in regard to the problem of our labor market and money market, we have to directly defy the challenge of structural wage increases and the investment thirst with greater courage and determination and with a more prudent attitude along the original ideological line of "decentralizing power." Second, on the basis of affirming the great achievements scored in our reform, we are required to go further than the ideological method of the simplistic "decentralizing of power" and work out scientific policies for overcoming the imperfection of our market development and giving play to the government's role of positive intervention in the behavior and organization of our enterprises. Third, in order to ensure the smooth fulfillment of the above two tasks, it is also necessary for us to make a new evaluation of the practice of persisting in exercising and even intensifying our administrative mandatory control over the total volume of wages and credits within a certain period. Starting from the utility goal of achieving substantial and safe progress in our reform, we have promoted our macroeconomic reform with our microeconomic reform and opened up our market for the means of production and at the same time, paid attention to cultivating our government's organizational function and persisted in applying the means of certain necessary administrative mandatory control. The coordination of the above three measures constitutes a sustained dynamic reform strategy that is well structured and that alternates throughout time. This method of thinking, which is not only related to but also differs from the past ideological line of streamlining our administration and decentralizing power, should become the major indicator for the entry of a new stage of reform and should be the logical starting point for us in studying and pondering our problems.

Those who participated in the work of organizing, studying, and writing this report are: Chen Yizi [7115 0001 6171], Wang Xiaoqiang [3769 1420 1730], Zhang Gang [1728 6921], Zhang Shaojie [1728 1421 2638], Diao Xinshen [0431 2450 3947], Li Jun [2621 1498], Bai Nanfeng [4101 0589 7364], Jiang Sidong [1203 2448 2767], Xia Shaoxun [1115 1421 6061], Cui Heming [1508 7729 7686], Zhang Amei [1728 7093 1188], Yang Guansan [2799 0385 0005], Huang Xiaojing [7806 1556 0079], Jiang Yue [5592 6460], Ji Xiaoming [0679 1420 2494], Xu Xiaobo [1776 4562 3134], Hu Gang [6079 6921], Cao Yuanzheng [2580 6678 1767], Zhao Yujiang [6392 2810 3068], Sheng Hong [4141 3163], Liu He [0491 7729], and others.

/9599
CSO: 4006/491

SHANDONG LEADERS DISCUSS 1986 ECONOMIC PLANS

Jinan DAZHONG RIBAO in Chinese 11 Nov 85 pp 1, 3

[Article: "Steadfastly Carry Out Reform While Victoriously Overfulfilling the Sixth 5-Year Plan: Shandong Provincial Party Committee Holds Work Conference, Implements the Spirit of the National CPC Congress, and Studies and Plans Economic Work"]

[Text] The Shandong provincial party committee held a work conference from 4 to 9 November 1985, conscientiously studied how to carry out the spirit of the CPC National Congress, studied Shandong's future economic work and focused on setting 1986 national economic plans.

The conference thought that in Shandong's economic work, 1986 will be a year of exploiting the victory of having overfulfilled the Sixth 5-Year Plan, a year of solving new contradictions and continuing to develop through thorough reform, a year of transition from excessive economic growth rates to more normal and reasonable ones and a year of better microeconomic invigoration based on improved macroeconomic control. In line with the spirit of acting according to our capability, doing everything in our power and uniting our efforts, we must continue to solve the problems of excessive growth rates, fixed-asset investment scope and consumption-fund growth and focus our work on mastering reform, management, and overall improvement of economic results, enabling economic construction to gradually change to the new approach of having more realistic growth rates and better results and enabling the people to obtain more material benefits.

A total of 177 people, including responsible comrades from the provincial party committee, the provincial advisory commission, the provincial discipline inspection commission, the provincial people's congress standing committee, the provincial government and the provincial CPPCC, all municipal and prefectural party committee secretaries, mayors, and commissioners, the planning commission chairman, all major enterprise party committee secretaries and factory directors and important responsible people from all directly administered provincial departments, attended the conference. Provincial party committee secretary, Liang Buting [2733 2975 1656], and provincial party committee deputy secretary and provincial governor, Li Chang'an [2621 2490 1344], both made major speeches at the conference.

Comrades attending the conference thought unanimously that this provincial party committee work conference was very timely, that its topics of discussion were very focused and that its 1986 economic work plans fully reflected the spirit of the National CPC Congress and fully conformed to Shandong's actual conditions. The conference was permeated throughout with a democratic atmosphere, with everyone speaking out freely, exchanging their experiences, linking up their ideas, and unifying their understanding of problems in the following areas.

I. Current Economic Conditions

Comrades attending the conference thought unamiously that, since the 3d Plenum of the 11th CPC Central Committee, Shandong's economic conditions, as those throughout China, have entered a new period of the most vigorous economic development since the founding of the PRC. Important indications of the good conditions are that such major proportional relations as those between agriculture and light and heavy industry, and between accumulation and consumption, are tending toward coordination, national economic development has been sustained and steady, revenue has increased year after year, the people's lives have clearly improved and the major "Sixth 5-Year" Plan tasks have been fulfilled or overfulfilled ahead of schedule. In 1985, Shandong's rural and urban economic system reforms have again made new advances, our S&T and education system reforms have been carried out gradually, our open door policy pace has been speeded up and economic construction throughout Shandong has continued to maintain a good development momentum. Faced with quite a few agricultural production natural disasters, our 1985 grain output has still been able to maintain the same level as/or increase somewhat over 1984, our cotton output is expected to reach approximately 24 million dan, our peanut output is expected to reach 50 million dan and our forestry, livestock industry, fishery, and rural township enterprises have all made great advances. Our industrial production has maintained a high development rate and our 1985 GVIO is expected to increase approximately 20 percent over 1984. Our national key construction pace has been speeded up and a group of small projects have been made available one after another to the users. The Yanzhou-Shijiu Railroad, the Shijiu Harbor, the Zouxian County Power Plant No 1 generating unit, the Baodian Coal Mine and the Qingdao Harbor No 8 wharf will all be completed and put into operation during 1985. Along with industrial and agricultural production developments, our urban and rural markets have been brisk, our foreign trade exports have increased and our revenue growth rate has been quite large.

The conference thought that our correct analysis of conditions has been the basis for our correct decisionmaking, and that our good economic conditions have been the result of our conscientious implementation of reform, open door, and invigoration policies. This has been the main trend. But we certainly cannot only consider certain problems which have arisen due to inadequate macroeconomic control and deny the current excellent conditions, nor can we neglect certain contradictions concealed by the excellent conditions and be unrealistically optimistic. At present, we must keep a clear head on the following three problems: First, we must consider the thorough rural changes which have actually occurred and not overestimate the extent of peasant prosperity. Second, we must consider our good industrial production development momentum and conscientiously handle potential unstable high-speed-growth factors. Third, we must admit that our realized profits, taxes, and revenue growth has been quite fast and face up to the problem that our economic results are still poor. We must realistically understand our current conditions and consolidate and develop our excellent circumstances.

II. Economic Work for 1986 and 1987

The conference pointed out that planned targets for 1986 and 1987 should integrate Shandong's actual conditions with the need to control overall social demand and be determined by overall balance. In line with the spirit of allowing for unforeseen circumstances, the conference discussed all major 1986 targets. It pointed out that plans which allow for unforeseen circumstances will be favorable to overcoming unstable economic life factors, creating a relaxed reform environment, and changing our major efforts to improving economic results and product quality and speeding up enterprise technological transformation. But without a fixed pace, there would be no specific results and it would also be hard to overcome revenue problems. We must work well in all areas and strive to overfulfill 1986 plans.

1. Priority Must Be Given to Reform: At present, some comrades still lack a thorough understanding of the major significance of reform and have not put it in the correct relationship to production and construction. Some have set macroecononomic control against microeconomic invigoration and others have misunderstood the difficulty and complexity of reform, lacked boldness, and often been skeptical and vacillating when encountering difficulties and problems. Even worse, some people have flaunted the banner of reform while exploiting incomplete reform loopholes, seeking personal gain and discrediting reform. Thus, further improving our understanding, correcting our attitudes and unifying our pace will still be the key to doing a good job of reform. Based on Central Committee requirements, Shandong's economic system reform priorities for 1986 and 1987 will be to conscientiously learn how to solve the indirect macroeconomic control problem, to make new breakthroughs in invigorating medium-sized and large enterprises and to explore how to perfect the market system.

2. A Better Job Should Be Done of Restructuring Rural Industry: Shandong's rural industry restructuring must continue to carry out the policy of "absolutely not slackening grain production and actively developing a diversified economy," securely establish the commodity economy concept and enable rural economic development to be comprehensive and coordinated. At present, there are several outstanding problems which must be solved well. a) Grain production must be stressed. Whether from the perspective of satisfying natural population growth needs, or from that of adapting to the masses' demands for improved food composition, grain production must absolutely not be slackened. It would not do to either "take grain as the key link" and neglect development of a diversified economy, or to "take money as the key link" and neglect grain production. We absolutely must not go from one extreme to another. b) Forestry, the livestock industry, and fishery must be developed vigorously, and their proportions in overall

agricultural production must be further raised. c) Rural township enterprises must be developed actively. Developing rural township enterprises is the only way to develop commodity production and vigorously develop the rural economy, and a strategic way to restructure rural industry. Shandong's rural township enterprise income constitutes almost 40 percent of our overall rural economy income. Close integration and cooperation between rural township enterprises which are spread all over and small, medium and large urban enterprises will form a multilevel economic network of mutual permeation, supplementation and promotion, and joint development. Any neglect or underestimation of the concept and method of rural township enterprises would be very harmful.

3. Consumer Goods Production Should Be Increased Vigorously: This is a guiding economic development principal for the Seventh 5-Year Plan period and also a priority for economic work for 1986 and 1987. According to calculations, there will be a great disparity between Shandong's 1986 commodity supply and our social purchasing power. The basic way to solve this supply-and-demand contradiction will be to develop production, increase production of consumer products as much as possible, and expand the supply of goods suitable for marketing. In order to achieve this, we will have to take practical steps to support light textile industry production. We must promote horizontal links between processing enterprises and raw materials sources and adopt various methods to develop economic and technical cooperation. Such industries as the engineering and chemical industries must actively serve the expansion of consumer product production and provide more and better mechanical equipment and industrial chemicals. Our 1986 and 1987 development priority should be placed on food, textiles, clothing, furniture, household electrical appliances, and other light industrial household products. We must both continue to master production of medium- and high-grade products and also stress production of general household necessities, and especially stress and develop production of articles for children and those for middle-aged and old people. Moreover, all areas must also test urban residential commodities, summarize their experience, and gradually develop and expand mass consumption.

4. Improvement of Economic Results--Product Quality in Particular--Should Be Made a Priority: Generally speaking, some of Shandong's current economic results are improved, some are exaggerated, and some are potential. In order to improve economic results, we cannot rely on "acquiring immediate profits" or place our hopes on raising product prices, rather we must rely on our true capability and make vigorous efforts to improve management and administration, reduce consumption, raise labor productivity, and reduce costs. If production costs of budgeted state-owned industrial enterprises throughout Shandong were reduced 1 percent, annual realized profits could increase over 100 million yuan. If energy consumption in industrial enterprises throughout Shandong were reduced 5 percent, output value could increase nearly 3 billion yuan. Through saving, tapping potentialities, making up deficits, and increasing surpluses in 1986, we must basically digest 1985's increased expenditures which were caused by increased costs.

Improving product quality is the basis for improving economic results. Since the management ideas of some enterprises have been incorrect, the quality of many products has decreased since 1984. In order to make profits, a few enterprises have put profits ahead of justice, manufactured in a rough and slipshod way, done shoddy work and used inferior material, and passed off inferior as good, and one or two have even violated the law and discipline, manufactured inferior or counterfeit products and entrapped the masses. The quality problem must be mastered now. Recently, the State Council decided to carry out the Second National Industrial Survey during the first quarter of 1986. This will both provide the basis for formulating economic plans and systems reform and policies for technical progress, and will also be an important way to improve enterprise quality. Party committees and governments at all levels must improve their leadership, do this work well from start to finish, and, through the survey, spur enterprises to improve their management and administration, economic results, and product quality. Moreover, they must also study and formulate policies to encourage enterprises to improve their product quality, spur enterprises to carry out comprehensive quality control, improve quality control and supervision, carry out a strict quality-responsibility system and strive to enable a great change to be made in the quality of Shandong's industrial products and construction projects in 1986.

5. Circulation, Market and Pricing Work Should Be Mastered Conscientiously: Further invigorating circulation, making good market plans, and maintaining basic price stability are major 1986 economic work problems that must be solved well. In invigorating circulation, state-owned commercial departments and supply and marketing cooperatives must fully develop their dominant roles, further learn how to solve the problems of expanding commercial enterprise autonomy and perfecting the economic output-related responsibility system within enterprises, firmly establish the general commerce concept, raise their competitive consciousness, and be firmly established in their own areas and geared to the needs of Shandong and China. All work must be favorable to joint state-owned, collective, and individual development, and be aimed at unifying urban and rural market plans, mobilizing all forces and keeping all channels open.

Planning 1986 urban and rural markets well will affect political stability and unity and healthy national economic development. This will be the joint responsibility of management departments and production units. They must uphold the principle that macroeconomic control must not violate the law of value and microeconomic invigoration must not break free from planned control, and correctly handle industrial and agricultural trade relations. Only if management departments and production units take the overall situation into account and perform their respective duties will they be able to ensure that urban and rural markets are well planned.

We must improve market management and maintain basic price stability. Our principle is to both uphold reform and also pay close attention to what the masses can bear, keeping price index increases lower than the masses' income increases and ensuring that the people's lives continue to improve. The preceding stage of price reform has basically achieved this and, although some commodity prices have risen, there have also been real, major improvements in the people's actual living standards. In order to maintain market prosperity and stability and continue to do a good job of price system reform, we must first stabilize public feeling, conscientiously improve ideological and political work, and state the reasons and conditions clearly. Then we must basically stabilize general price levels. We must continue to improve macroeconomic control and market management, carry out well the current general price inspection and firmly combat the unhealthy trend of excessive price rises. All enterprise units must set examples in the areas of implementing price policies, observing price discipline and submitting to price management.

6. Foreign Trade Should Be Vigorously Expanded. Increasing exports and creating more foreign exchange are major prerequisites for ensuring the continued development of Shandong's economy. We must do our 1986 foreign trade export work well in all areas and strive to improve it somewhat. Work priorities are to stress construction of export commodity production bases and specialized factories and shops, and to develop a group of new hot-selling products. Faced with these requirements, first, we must carry out policies to encourage exports; second, we must arouse the enthusiasm of municipal and prefectural departments to expand commodity production; third, we must absorb and use as much more foreign capital as possible; and fourth, we must put priority on the foreign exchange use on increasing the creation of exchange.

III. The Problem of Controlling Better the Scope of Fixed-Asset Investment

The conference thought that strictly controlling the scope of fixed-asset investment is an important Central Committee policy decision to improve macroeconomic control. From the perspective of Shandong's implementation, we have achieved remarkable successes while encountering many problems. The Central Committee has issued repeated injunctions on this problem, and we must maintain consistency with it and conscientiously reduce the scope of our excessive fixed-asset investments. First, we must change our past anarchic attitude toward above-quota investment, and all social fixed-asset investment, whether planned or above quota, capital construction, or technological transformation, must be brought into line with the plans of planning departments at all levels for overall balance. We should collect construction taxes from that which exceeds the controlled scope. Second, we must carry out unified management of construction funds and materials. Third, we must establish a responsibility system for fixed-asset investment. Our principal future investment orientation should be directed toward key construction in such areas as energy, communications, S&T and education, and the technological transformation of existing enterprises. As to other construction projects, we should select and make plans for the best. No new precedents may be set for above-quota projects. In order to truly create new conditions, we must make great efforts to tap existing enterprise potentialities and travel a new route of taking intensive development as the major factor in improving our economy.

IV. Leadership Work Must Adapt to the Demands of New Conditions

The conference pointed out that 1986 will be the first year of the Seventh 5-Year Plan, and that doing a good job of 1986 economic work will be of major significance in comprehensively fulfilling it. There will be many new conditions and characteristics and many new contradictions for us to solve in our 1986 work. Party committees and governments at all levels and all business departments must adapt to the new, changed conditions, attend to their own duties and responsibilities and work in a methodical and down-to-earth manner.

The problems of division of labor between party and government, and division of responsibility between government and enterprises, must be solved well. Party committees must persist in keeping a tight hold on the two civilizations, both stressing the major issues of economic work and also absolutely not slackening party construction and ideological and political work. At present, they must actively guide the masses of cadres to correctly understand conditions and the reform, open door, and invigoration principles and policies, correctly deal with certain problems which appear in our progress, teach everyone to "unite in the struggle before making great plans" and undertake their glorious responsibility of being the masters of the nation during the period of reform, open door, and construction. The duties of government and enterprises must also be divided. The authority which enterprises should have to manage either own affairs must be firmly returned to them, and higher level business departments must not always control everything and suppress enterprise enthusiasm. After delegating power to the lower levels, government departments can be released to stress trade management and fully develop such functions and roles as overall planning, coordination, supervision, and service.

We must develop our subjective initiative and work creatively. The principal factor in judging the work of a party committee, an area or a department is not whether it has transmitted Central Committee and higher authority instructions or not, but is the actual success it has achieved and whether it has solved practical problems. In line with the spirit of rousing themselves to forge ahead and develop, it is hoped that comrades in all departments at all levels will act according to their capabilities, do everything in their power, unite their efforts, do a good job of 1986 economic work and all work, and strive for new victories.

12267/9435
CSO: 4006/543

ECONOMIC-GEOGRAPHICAL RESEARCH FOR INDUSTRY DISTRIBUTION

Beijing DILI KEXUE [SCIENTIA GEOGRAPHICA SINICA] in Chinese Vol 5 No 4, Nov 85 pp 308-316

[English abstract of article by Hu Xuwei [5170 1645 1218], Institute of Geography, Academia Sinica]

[Text] Since the founding of the People's Republic, economic-geographical research for rational distribution of industry and regional planning has undergone five phases of historical development. Each phase of research has its specific features: 1) From 1950 to 1957, foreign literature concerning distribution of industry was introduced, and general principles of socialist industrial distribution were discussed. 2) From 1958 to 1960, a large number of economists-geographers practiced in regional planning. 3) From 1961 to 1965, research in techno-economic assessment concerning industrial distribution taking metallurgical, energy, and chemical industries as the primary sectors, was conducted. 4) From 1966 to 1976, comprehensive investigations into regional distribution of productivity for the construction of industrial bases were carried out. 5) From 1977 to 1982, the theoretical generalization of experience and lessons from the distribution of industry and regional planning was summarized.

In light of the demands of the developing circumstances of China's modernization, some primary aspects are posed for further study: 1) Research on the impact of structural economic reform and the new technical revolution on the distribution of productivity. 2) Research on regional industrial structures. 3) Research on the concentration and dispersion of industry. 4) Research on the theory and methodology of regional planning.

CSO: 4011/25

BRIEFS

ZHEJIANG FAMILY ENTERPRISE--Zhejiang has achieved good results in giving guidance to family-run industrial enterprises. By the end of 1985, there were 180,000 family-run industrial enterprises, employing over 700,000 members of the surplus rural labor force, with a total output value reaching 2.32 billion yuan. Private enterprises have contributed much in commodity production and promoted peasants' common prosperity. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 17 Jan 86 OW] /6662

GUANGXI PREFECTURE'S RURAL ENTERPRISES--Township and town enterprises in Liuzhou Prefecture, Guangxi Region, last year scored good achievements. Their total income reached 140 million yuan, an increase of 79.7 percent over 1984. Their profits were 14.92 million yuan. They submitted taxes of 7.46 million yuan to the state. Their profits and taxes were 99.4 percent and 100.5 percent respectively more than in 1984. The number of enterprises run by households or jointly run by households in the whole prefecture is now 23,262, with some 37,400 workers. Last year, the prefecture introduced 2.3 million yuan from other places in order to engage in 30 projects. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 12 Feb 86 HK] /6662

CSO: 4006/768

MINISTER URGES IMPROVEMENTS IN ENTERPRISE MANAGEMENT

OW220211 Beijing XINHUA Domestic Service in Chinese 1520 GMT 20 Jan 86

[Excerpts] Beijing, 20 Jan (XINHUA)--Lu Dong, minister of the State Economic Commission, pointed out at the national economic work conference which ended today: To improve enterprise management remains an extremely important task concerning the overall situation in our economic work at the present stage. We must pay attention to it.

Lu Dong said: This conference has thoroughly discussed the urgent need to improve enterprise management. We have realized that we must rely on improved enterprise management to fulfill the two key tasks of improving economic efficiency and increasing exports during the Seventh Five-Year Plan.

Lu Dong said: To ensure good economic work in 1986, production, market supply, and transport must be well organized. Investment in fixed assets and an increase in consumption funds must be kept under control. We must make great efforts to increase the production of marketable goods and promote exports. While preventing an excessively high rate of industrial growth, we should plan growth in a realistic way and keep a proper growth rate.

Lu Dong called on the economic department to treat the improvement of quality as an important task. He said: The quality we are talking about includes that of industrial products, commercial services, and transport, postal and telecommunications services. All work has a quality requirement. Good quality is the biggest economy.

On how to ensure good financial and trade work, Lu Dong said: We should continue to do a good job in reforming commerce and invigorating commodity circulation. We should bring into better play the leading role of state-operated commerce to arrange market supply well. We should pay attention to doing good work concerning market commodity prices. In addition, we should study policies conducive to the development of tertiary industry, study the trends of financial and banking work, and improve the quality of financial and trade workers.

Lu Dong emphatically pointed out: Reform of enterprise leadership structure and implementation of the system of the director or manager assuming full responsibility must proceed in accordance with the decision of the party Central Committee and the documents issued by the State Council.
/6662
CSO: 4006/768

ECONOMIC MANAGEMENT

WAYS OF IMPROVING ECONOMIC RESULTS DISCUSSED

Shanghai JIEFANG RIBAO in Chinese 13 Nov 85 p 4

[Article by Xie Minggan [6200 2494 1626]: "The Basic Way Out Is To Improve Economic Results"]

[Text] 1. During the Seventh 5-Year Plan period, we will be faced with the difficult tasks of both laying the basic foundation for the new economic system and also preparing the necessary followup capability for vigorous economic development in the 1990's and enabling the people's lives to continue to improve. In order to accomplish these tasks, we will have to overcome many existing contradictions, such as shortages of funds, certain key goods and materials, and foreign exchange. How will we be able to accomplish this? The basic way will be to improve economic results in such areas as production, construction, and circulation.

The slogan of improving economic results has been raised for many years and has spurred many work successes. But it should be seen that our present economic results are still poor and that our enterprise potential is still great. For instance:

--National revenue increases have been realized to a great extent through revising tax policies, improving tax collection management and reforming the price system, and have certainly not all resulted from enterprises increasing income and cutting down on expenses.

--Quite a lot of enterprise profit and tax growth has not been realized through tapping potentialities, transforming, and raising production technology and management and administration standards, but has relied on increasing output, raising product prices, and shifting the burden onto consumers.

--The decline in industrial product quality since the fourth quarter of 1984 has not yet been fully reversed. From January to June 1985, the steady quality-improvement rate of 75 major industrial products throughout China was only 73.4 percent, or an 11.6 percent decrease over the same period in 1984.

--Consumption of industrial production material has risen. From January to August 1985, the steady consumption-reduction rate of 105 major targets throughout China was only 61 percent.

--Fixed product costs have risen and enterprise losses have increased. From January to August 1985, state-owned industry fixed product costs rose 5 percent over the same period in 1984, and overspending reached 7.21 billion yuan. Enterprise losses have increased. By the end of September 1985, over 5,000 state-owned industrial enterprises had incurred losses amounting to a 9.2 percent increase over the same period in 1984.

This all shows that vigorous improvement of economic results is still an extremely important and difficult task facing us, and is the key to solving various Seventh 5-Year Plan period contradictions.

2. Much work must be done to improve economic results. The principal macroeconomic management task will be to create good external conditions for enterprises. At present, the following three issues must be solved conscientiously:

A. Medium-sized and large state-owned enterprises must be invigorated. Medium-sized and large state-owned industrial enterprises account for over 70 percent of industrial enterprise fixed assets and profits and taxes turned over to the state. They are charged with the difficult tasks of producing important products affecting the national economy and the people's livelihood and providing most of the taxes and profits to the state. Hopes for national financial resource increases, overall social production technology standard improvements and vigorous economic development in the 1990's are all placed on medium-sized and large enterprises. Over the past few years, the state has taken a series of steps to enhance enterprise vitality. But the vitality of medium-sized and large state-owned enterprises is still generally very poor. The following are the principal reasons. 1) Their tax burdens have been excessive. In the current distribution of enterprise realized profits, the relative proportions of state revenue and enterprise income are generally 30 percent to 70 percent for rural township enterprises, 55 percent to 45 percent for collective enterprises and 10 percent to 90 percent for Chinese-foreign joint ventures, while being 80 percent to 20 percent for medium-sized and large state-owned enterprises and 90 percent to 10 percent for the textile industry. This situation has made it very difficult for medium-sized and large enterprises to acquire the ability for self-transformation and self-development. 2) A considerable amount of the power which should have been delegated to enterprises has not been delegated to them. Shanghai Municipality recently investigated 100 state-owned industrial enterprises; only 6 of the State Council and municipal government documents on expanding enterprise autonomy, which stipulate delegating power to enterprises, have been basically (approximately 70 percent to 80 percent) implemented, while 5 of them have basically not been implemented. 3) Directive plan quotas have been raised at each level, while goods and materials supply has not been ensured. 4) Qualified enterprises have lacked the proper external management autonomy. Faced with the above conditions, there is now an urgent need to take vigorous steps to gradually reduce and regulate taxes, reorganize administrative corporations, implement all enterprise autonomy documents and conscientiously carry out state policies on enhancing the vitality of medium-sized and large enterprise. This will enable them, guided by state plans, to truly become economic entities which have management autonomy, are responsible for their profits and losses, and have the ability for self-transformation and self-development.

B. Enterprise social burdens must be lightened. At present, various areas of society are asking enterprises for help under a variety of pretexts (such as apportionment, fundraising and "support"), seriously weakening their autonomy and self-transformation ability. This is a new unhealthy economic tendency. According to certain local investigations, such unreasonable expenses account for 7 to 10 percent of enterprise after-tax retained profits, and have topped 15 percent in some enterprises. If this matter is not solved, it will be difficult for enterprises to continue to improve their economic results. Of course, under present conditions, in addition to accomplishing national directive plan tasks and turning over revenue to the state, enterprises must also unavoidably accept certain essential social obligations. But the present huge social burden of enterprises is unreasonable and, in fact, is a disguised expropriation of enterprises and a violation of their legitimate, legal interests. Thus, administrative and legal steps should be taken to firmly curb this unhealthy trend.

C. Macroeconomic control must be improved at the same time as the economy is invigorated. As national economic cells and the major sources of social material wealth, enterprises must have sufficient vigor in order to be able to constantly improve their economic results. In order to persist in simplifying administration, expanding authority and invigorating enterprises, management of enterprises must gradually change to using economic levers as the dominant factor. On the other hand, as component parts of the national economic organism, enterprises must not become "uncontrollable," and their activities must be carried out in coordination with each other in a unified direction. Thus, effective macroeconomic control must also be improved. While direct state control of enterprises is reduced, appropriate indirect control must be improved, in order to avoid certain macroeconomic losses of control, imbalances, and vacuums in the process of exchanging old forms for new ones. Over the past few years, we have done much work in the area of building an economic legal system and carrying out social supervision. But generally speaking, we are still far from being able to adapt to the needs of developing conditions, and the phenomena of having no reliable laws, not relying on laws, law violations not being investigated, and laws not being enforced strictly are still quite common. The pace of economic legislation and judicature should be speeded up, and the formulation of such essential laws as "enterprise laws," "quality laws," "tax laws," and "banking laws" must be especially emphasized. A state supervision system should also be established as soon as possible for such enterprise matters as product quality, material consumption, fund use and cost accounting.

3. From the perspective of enterprises themselves, improvement of economic results must now stress improvement of product quality and reduction of material consumption.

Product quality is the basis for enterprise economic results. Marx said that "Regardless of the social form of wealth, use value always constitutes the material content of wealth." (Footnote 1) ("Capital," Vol 1, p 48) Substandard quality products cannot have use value or value, constitute social wealth, or achieve economic results. We must always uphold the principle of "quality first," and strive for quantity while improving quality, and speed while improving results.

The current decline in quality of industrial products is admittedly related to total social demand being greater than total supply and to state examination of enterprises not being scientific enough, but its major cause is that certain comrades have deviated from the "quality first" principle in their ideology and work. In order to improve product quality, the concepts of quality consciousness and responsibility to the state and the people must be firmly established among all staff members and workers, and among enterprise leaders in particular. All enterprise economic activities, such as carrying out the economic responsibility system, linking wages to economic results, carrying out technological transformation, developing new products, and reforming internal management systems, must be focused on the key link of improving product quality.

Moreover, strict state supervision of enterprise product quality must be improved. National quality-supervision organizations and various inspection centers must be established, a licensing system for the production of key products must be implemented, and regular state-supervised tests of all classes of products must be carried out. Products which do not have quality standards, inspection organizations, or examination methods must absolutely not be produced or marketed. Enterprises that produce poor-quality products which jeopardize national construction and the safety of the people's lives, fraud, and violations of law and discipline must be punished severely according to law, even to the point of ordering enterprises to close and investigating and affixing the criminal responsibility of their leaders. Based on product classification, a product-quality, trade-classified management system must be carried out, and rural township enterprise quality control in particular must be improved.

High material consumption is a fatal weakness of China's economy. The relative proportions of consumption of materials and live labor in China's industrial production costs have long been a high 85 percent to 15 percent, while being 50 percent to 50 percent or 40 percent to 60 percent in developed countries. High material consumption, causing increased production costs, is a major reason why enterprise economic results are poor. A high material consumption proportion, combined with similar production costs and a low proportion for consumption of live labor, is a major reason why staff member and worker wages are low. Thus, in order to improve enterprise economic results, we must fully and effectively use all resources, principally material ones, and strive to reduce material consumption. The basic way to improve the standard of living of staff members and workers is also to reduce material consumption, and not to ask the state for financial aid. China's present total industrial production costs have topped 300 billion yuan. Reducing our 85 percent material consumption proportion 5 percent would save 12.7 billion yuan, and reducing it 10 percent would save 25.4 billion yuan. These would be very considerable amounts to replenish national revenue and improve staff member and worker wages and material benefits.

Reducing material consumption depends simply on technical progress and management improvement. Our technology is backward, and we must actively import and use advanced technology, replace our obsolete equipment and carry out technical transformation of our key working procedures in particular. But relatively speaking, our management is even more backward, and we must begin with basic work, conscientiously change the present prevalent phenomena of materials and their use not being checked and there being no consumption quotas or anyone to control waste; carry out a strict responsibility system for such things as goods and materials purchasing, warehouses, the distribution and use of materials, and measurement and inspection; carry out comprehensive quality control and establish advanced, rational consumption quotas for all links; and give awards and penalties for savings and waste of goods and materials. Only in this way can high product quality with low consumption be ensured. Since the effect of this work would be very great and it would not cost money or would cost very little, what is there against it? At present, the problem "that it is not being done, and not that it cannot be done" indeed exists. In particular, there is careless improvising, lax and undisciplined behavior, extravagance, and irresponsibility. If we do not make a thorough change and a persistent and serious pledge, and if we do "stupid" work in a down-to-earth manner, our poor-quality, high-consumption situation will truly not be reversible.

12267/12859
CSO: 4006/544

VIEWS ON COMMODITY PRICES PRESENTED

Shanghai WEN HUI BAO in Chinese 21 Nov 85 p 3

[Article by Shen Jinlu [3088 6855 6424]: "Several Views on the Problem of Commodity Prices"]

[Text] The problem of commodity prices affects everyone. I would like to discuss my own view of several problems that concern everybody.

1. Why Must We Implement Price Reform?

The reason we must reform the price system is because there is much that is seriously irrational about the present system which is primarily reflected in the following four ways: (1) price differences for goods of the same category of differing quality are too small, which discourages progress in production; (2) price ratios for products of different categories are irrational, some energy and raw materials prices being especially low; (3) purchase and sales prices for agricultural byproducts are reversed--purchase prices are high, while sales prices are low, which is a financial burden on the state; (4) tertiary industry charges are too low. In some fields the greater the volume of business, the higher the losses. This distorted price system which neither reflects the law of value nor the relationship between supply and demand will inevitably have many defects, the most obvious of which is the lack of equality between enterprises in the face of competition and the difficulties involved in enlivening the economy. Therefore, without a price reform, the invigorating of the economy which is a central link in the reform, cannot be implemented.

It should also be noted that with the enlivening of the economy, the various departments and enterprises possess more and more of their own capital. Without rational prices, these funds will all be invested in high-priced, high-profit projects. As a result, goods not in demand will become more plentiful, while products in demand and in short supply will become fewer, leading to imbalances in production. If we take a closer look, it is obvious that if the irrationalities in price remain unchanged, it will be difficult to reform the systems of planning, finances, and taxation and the economic function of the state. Therefore, reform of the price system is regarded as a key to the reform of the entire economic system in the "Resolution of the CPC Central Committee on the Overall Economic Reform" passed by 3rd Plenum of the

12th CPC Central Committee. In order for the reform to proceed smoothly and to enable China's economy to develop more rapidly, from which point we can raise the standard of living, we must put an end to irrationality in the price system via reform.

2. How Should We View the Problem of Recent Rapid Increases in Some Commodity Prices?

There are different situations involved in the increases of some commodity prices. In one case, increases have been planned and arranged by the state and are normal and rational. For example, price increases this year for meat, egg products, domestic fowl, fish, seafood, and other nonstaple foods were carried out under the centralized direction of the government, and were in accordance with the need to straighten out the commodity-price system and commodity-price policy. Increasing prices for these commodites encourage production, enliven circulation, increase consumption and satisfy the needs of the masses of the people. When the prices of agricultural products are too low, the peasants are unwilling to increase production, and will even reduce production, resulting in inadequate supplies on the market, which actually hinders the improvement of the people's standard of living. After the state's gradual implementation of the open door policy last year, the state, collective, and individual have risen together to utilize the regulatory role of the market. At first, price increases were a bit too much, but they promoted production and enlivened circulation. With the development of production and a growth of the supply of goods on the market, prices will gradually stabilize.

Another view is that with the increase in prices and the enlivening of the economy, work in management has not kept up, and some enterprises, institutions and self-employed households have taken advantage of the reform to indiscriminately raise prices and fees. They have exceeded the bounds of commodity price controls and raised prices on their own, or engaged in illicit resales, earning huge profits; others have found multipicity of excuses to surreptitously raise prices by substituting inferior goods for superior, cheating in the weighing of products, and forcing the consumer to buy goods they do not want as a condition in purchasing products they desire, and so on. This has had a ripple effect on increases in commodity prices, and has disturbed the market and the people. This sabotage of the interests of the consumer is a totally different affair from price reform and must be resolutely eliminated. In addition to relying on the supervisory role of the vast ranks of consumers, we must also strengthen economic law, improve management organizations and methods and conduct education concerning observing the law and professional morality so that management is not too rigid, while still avoiding disorder.

3. How Can the Basic Stability of Commodity Prices Be Ensured?

First, it should be made clear that "basic stability of price" does not refer to a complete or basic price freeze, but the allowance--on the basis of maintaining an overall, basic stability of commodity prices--of small fluctuations in the prices of some commodities. Given the superiority of the socialist system and China's economic development, this can be achieved. Most of the reasons for this year's price increases, outside of some industrial and commercial enterprises and self-employed peddlers who took advantage of the reform to raise prices indiscriminately, lies in the excessively rapid growth of investment in fixed assets outside of the budget that took place in the fourth quarter of last year, the overly rapid speed of industrial development, the excessively large scope of capital construction and the overly fast growth rate of credit and consumption funds. Last year consumption funds increased 22 percent (40 percent in the fourth quarter), greatly exceeding last year's 12 percent. Too much currency was issued, which elicited a huge inflation of social demand, shortages on the market, and price increases for some commodities this year. It is obvious that in order to maintain the basic stability of prices, we must control the scope of capital construction investment and at the same time that of sumption funds so that they do not surpass the production speed of consumer goods. Since this year, the State Council has taken firm measures to control the scope of fixed-asset investment, overly rapid speeds of industrial production, and amount of currency issued. These drastic measures to control commodity prices are completely correct. At the same time, the government has taken a series of measures to maintain increases in national commodity prices within a certain degree and ensure basic stability of these prices.

There are things to be done to maintain basic price stability in terms of the grassroots as well. We not only must expose indiscriminate price hikes and the substitution of inferior goods for the real thing, but must also put an end to the indiscriminate growth of wages and bonuses and other irrational means of increasing consumption funds. Maintaining basic stability of commodity prices will be an arduous task that will require great efforts at all levels nationwide.

4. Have Living Standards Increased or Decreased After the Price Reform?

The role of price reform in promoting economic development must be affirmed. Certainly, the rate of price increases has been somewhat greater than before. However, generally speaking, the people's living standards have increased at a rate greater than the rise in commodity prices, and urban and rural residents have seen real improvements to differing degrees in their daily lives.

First, as regards income, the large increase in purcahse prices these last few years for agricultural byproducts benefitted the peasants first. In 1978, annual peasant pure income was 134 yuan, whereas in 1984 it was 355 yuan and this year it is estimated to reach more than 370 yuan, which after deducting commodity price increases, represent a growth of more than 100 percent. When the countryside is stable, so is the rest of the nation. This is clear proof of the success of the reform of commodity prices. As for the cities, after several adjustments, the wages of an overwhelming majority of enterprise workers have increased. In particular, the increase of employment opportunities has led to a fairly large increase in real income. The average yearly wage in 1984 for workers and staff nationwide increased 56.5 percent over 1978, while the retail commodity price index for the same period increased by 17.7 percent, and the cost of living index for workers grew 19.9

percent. Therefore, the living standards of the great majority of workers have improved to varying degrees.

Regarding the level of real consumption, the amount of consumption by urban and rural residents nationwide of grain, edible vegetable oils and pork increased in 1984 49, 150, and 67 percent, respectively, over 1978, and everyone is well aware of the great growth in sales of durable high-quality consumer goods. The above fully shows that the living standards for urban and rural residents have risen. Of course, while we fully affirm the obvious improvements in living standards for the great majority of the people, we must be aware of the minority of staff and workers, who for different reasons, have seen only small increases in their real income, which have sometimes been lower than the cost of living growth rate. The relevant government departments are taking measures to gradually alleviate this problem, which of course, will require a certain process. We believe that the living standards of the entire people can be continuously augmented along with the development of production.

12221/13068
CSO: 4006/576

TIGHTER CONTROLS SOUGHT OVER PRIVATE BUILDING SALES

HK060430 Beijing CHINA DAILY in English 6 Feb 86 p 3

[Text] Beijing municipal authorities have called for tighter state control of the sale of private buildings as more and more are being sold by profiteers in violation of state regulations.

They propose a more rational pricing system and the opening of a market place for owners and buyers to arrange sales so that the private real estate trade can proceed in an orderly fashion for the benefit of both individuals and the state.

Although all land in China is owned either collectively (in the countryside) or by the state (in urban areas), many of the buildings on the land remain in private hands.

According to the CHINA LAW JOURNAL, sale and rental prices of private houses have risen out of control in Beijing, being sometimes more than 10 times legal levels.

Badly in need of housing or business outlets, buyers or renters sometimes collaborate with price gougers by reporting fraudulently that their deals are within state-fixed prices.

The Public Health Press, for instance, was originally asked 150,00 yuan ($47,000) for small two-storey building in the Dongdan area although the Municipal Housing Administration ruled the price should be no higher than 30,000 yuan ($9,400).

Finally, the Press paid 100,000 yuan ($31,200) in a secret agreement with the owner; otherwise he would have have sold it.

Some buyers fail to report to the authorities at all for fear their transactions will be turned down by the state.

One reason for the situation is that companies and individuals from outside Beijing have moved in to buy real estate for commercial purposes. Some owners have made great sums, as much as 1,000 yuan ($312) per month, in rent because their houses front on streets suitable for shops.

The CHINA LAW JOURNAL reports that this illegal trade in private houses has not only reduced state revenues from taxes on such transactions but also has caused a growing number of civil disputes.

In the Haidian District, for example, a survey uncovered more than 100 cases in which owners drove out tenants so that they could rent their rooms for higher prices.

What's worse, the paper said, some brokers have emerged to profiteer from the trade. Recently, the Chongwen District Procuratorate prosecuted a gang of three who, in one transaction, helped a company to buy a house with 12 rooms for 125,000 yuan ($39,00), keeping more than 3,200 yuan ($1,000) as a commission.

/6662
CSO: 4020/228

STRATEGY OF DEVELOPING TERTIARY INDUSTRY IN NORTHEAST

Changchun DI SAN CHANYE BAO in Chinese 22 Nov 85 p 1

/Article by Cheng Wen /2052 2429/: "Northeast Economic Zone Puts Forth Tentative Strategic Plan for Developing Tertiary Industry; By the Year 2000, Output Value of Tertiary Industry Expected to Reach 50 to 60 Percent of GNP"/

/Text/ At the third symposium on the strategy for economic and social development in the northeast held recently, representatives were engaged in a special topic discussion about a tentative strategic plan for developing tertiary industry. The meeting viewed that tertiary industry in the Northwest economic zone should achieve a breakthrough in development starting from the Seventh 5-Year Plan by implementing this tentative strategic plan:

1. Tertiary industry in the Northeast region should be developed in a proportionate way with primary and secondary industries. The strategic objectives for developing tertiary industry should aim at linking urban with rural areas, establishing lateral ties at home and abroad, improving livelihood and socializing services, modernizing operations and making management more scientific.

2. Strategically it is most important to energetically restore and develop traditional tertiary industry so as to satisfy the consumption needs of the broad masses of the people. With economic development and technological progress, it is also necessary to vigorously develop new and rising tertiary industry so that the traditional professions and trades and the new counterparts can be developed simultaneously.

3. To develop tertiary industry, we should mobilize positive factors from all quarters and uphold the policy of making the state, the collectives, and individuals as well as the cities and the countryside forge ahead together. Developing traditional tertiary industry, we should set up more outlets extensively with the collectives and individuals as the main body and operate them in a flexible and diversified way. The new-type tertiary industry must rely mainly on state ownership, with collective and individual ownership being subsidiary. At the same time, various professions and trades should be encouraged to engage in tertiary industry.

4. Various localities should draw up policies and measures to encourage and support tertiary industry in keeping with actual conditions, for example, the price and fee-collection standards for tertiary industry relying mainly on labor service should be in keeping with price differences according to technical grades, regional price differences, and seasonal price differences; unreasonable rates should be liberalized for those services earning small profits or losing money; a clear-cut decision should be made in initiating preferential tax, solving business space, breaking down urban-rural and regional boundaries, finding a solution for unreasonable economic burdens and protecting the political status and legitimate rights and interests of those doing business.

By the year 1990, the output value created by tertiary industry in the Northeast economic zone should account for more than 30 percent of the GNP; by 2000, the output value of tertiary industry should reach 50 to 60 percent of the GNP. The number of people employed in tertiary industry should also increase at the same tempo.

12662/12276
CSO: 4006/506

ANHUI URBAN INDUSTRIES SUPPORT RURAL TOWNSHIP ENTERPRISES

Support for Rural Enterprises

Hefei ANHUI RIBAO in Chinese 28 Oct 85 p 1

/Article by Li Zhefu /2621 0772 1133/: "Urban Industries Fan Out in Support of Large Numbers of Rural Township 'Satellite' Enterprises--Dispersion of Anhui's Urban Industries This Year Has Provided Rural Township Enterprises Products for Processing with an Output Value Nearing 200 Million Yuan"/

/Text/ In recent years, Anhui's urban industries have spread toward the countryside, the rural township enterprises have also served the large industries energetically and integrated with urban industries in work for common development and achieved initial success. According to rough statistics, the dispersed urban industries throughout Anhui have provided rural township enterprises products for processing with an output value of nearly 200 million yuan this year. Moreover, a group of "satellite" enterprises have also emerged expanding the urban industries and also effectively promoting the development of the rural township enterprises.

There were more than 100 rural township enterprises in the suburban district of Hefei City last year (including some collective enterprises) which processed dispersed products for industrial enterprises subordinate to the city, this workload has grown this year. The three counties subordinate to the city, Feixi, Feidong and Changfeng, and various rural township enterprises in the suburban districts processed and produced more than 200 items for the urban industries with an output value of more than 45 million yuan. Wuhu City staged an urban-rural economic integration fair in May this year at which more than 90 items had been transacted with an output value of more than 20 million yuan so far.

The new-type economic integration between the urban and rural areas has not only injected new vitality into urban industries but also propelled the reform of the urban economic system.thereby greatly advancing the rural township enterprises. The all-weather overcoats produced by the Meihua Clothing Factory in Wuhu City are in great demand in the market increasing from 50,000 to 400,000 this year, the factory however is faced with difficulties in many areas including factory building, equipment, personnel, and funding. The factory assigned the job of processing 400,000 overcoats in 11 rural township enterprises in counties subordinate to the city and their suburban districts but retained the responsibility for cutting materials in a unified way and guaranteeing the quality of products. By so doing, it has not only developed production but also saved investment and gained time. The Changlinhe General Machinery Plant in Feidong County was originally on the verge of closing down, however, as a result of integrating with the Hefei Rolling Stock Plant, its vitality was restored in only 3 months and the Hefei Rolling Stock Plant in turn integrated with more than 10 rural and township enterprises in operation, increasing its productive capacity seven to eight-fold.

Commentary Urges Integration

Hefei ANHUI RIBAO in Chinese 28 Oct 85 p 1

/Commentary: "Successfully Disperse Urban Industries, Promote Economic Integration Between Urban and Rural Areas"/

/Text/ Dispersing urban industries toward the countryside and letting rural township enterprises serve the big urban industries is one of the important ways to specialize organization and socialize production. Setting up a production ring around cities, with the cities leading the countryside and the countryside assisting the cities, will systematically link the technology, equipment, qualified personnel, information, and advantages of the cities with the advantages of land, labor, and resources in the countryside, and will have far-reaching significance in building a new-type relationship between urban and rural areas, promoting common development of the urban and rural economy, improving the urban industries' ability to put equipment into complete sets and enhance their technological and economic strength while at the same time developing the rural commodity economy.

In spite of certain achivements made in dispersing Anhui's industries toward the countryside, it is only the beginning from the overall standpoint, because some places have not yet included this work in their agenda. This is mainly due to the lack of understanding of the far-reaching significance of this task; besides, dispersion also involves a question of reputation and good faith on both sides, especially the issue of all other's interests whereupon differences are liable to come up eventually to affect the implementation of dispersion work.

The objective of dispersing the production of industrial products toward the countryside is to further expand new productive capacity and raise economic results. Therefore, for a relatively long time to come, products from dispersed production should be products in "short-supply" in the market or products with a future for development. Products whose supply exceeds demand should not be passed on to rural township enterprises nor should the production of fading products be "disengaged" and pass on to them. Enterprises which have agreed to disperse should foster the idea of "coordinating all activities like pieces in a chess game," serve the big industries wholeheartedly, develop themselves by taking advantage of the urban industries and bring about a takeoff of the entire rural township economy.

Integrated cooperation between the urban and rural areas may be developed at different levels and in numerous fields. In a broad sense, it should not be confined to dispersing the production of products alone, it should disperse in an integrated way to include production of products, equipment and techniques, technology, personnel, funding, and numerous other areas. It may also be in other forms, such as jointly setting up factories, transfer of machinery in complete sets, dispersing of spare parts and fittings, processing on order with materials provided, joint development of resources, transfer of technology, compensation supply of trademarks and technological cooperation and so forth.

The dispersing of industrial products has just begun in our province; we still lack the experience and various systems, including the supplementary economic laws and regulations that are still imperfect. We should meticulously organize and strengthen leadership and do a conscientious job in coordination and rendering services. Leadership at all levels and comprehensive economic departments must include this task in their agenda and concentrate their efforts on this vital task of invigorating the urban and rural economy.

12662/12276
CSO: 4006/506

SHANDONG TOWNSHIP, TOWN ENTERPRISE GROWTH RAPID

Jinan DAZHONG RIBAO in Chinese 4 Nov 85 p 1

[Article by Wang Yuzhang [3769 5940 4545]: "During the National Economy's Sixth 5-Year Plan Period, Shandong's Township and Town Enterprises Grow Rapidly; Our Township and Town Industrial Output Value Accounts for 19.4 Percent of Our GVIO, Our Township and Town Enterprise Income Accounts for 37.1 Percent of Our Rural Economy Income, Most of Our Products Are High or Standard Quality and Many of Our Products Enjoy Fairly Great Prestige Both in China and Abroad"]

[Text] During the Sixth 5-Year Plan period, Shandong's township and town enterprises have grown quite rapidly, their position and role in the national economy has become increasingly remarkable, and they have made major contributions in vigorously developing the rural economy.

--Shandong's township and town enterprise income and GVIO have increased steadily. Based on 5.88 billion yuan in income in 1980, our township and town enterprise income reached 14.06 billion yuan in 1984 and is expected to reach 17.3 billion yuan in 1985, or an average increase of 24 percent a year over the 5-year period. Based on a GVIO of 5.15 billion yuan in 1980, our township and town enterprise GVIO reached 9.82 billion yuan in 1984 and is expected to reach 13.7 billion yuan in 1985, or an average increase of 21.6 percent a year over the 5-year period. Our township and town enterprises have promoted comprehensive agricultural-industrial-commercial management and rural commodity development, and their sales income now accounts for approximately 40 percent of our rural commodity economy income.

--Shandong's township and town enterprise production standards and product quality have clearly improved. According to an investigation of some enterprises, over 80 percent of our enterprises have good sources of raw materials, products which satisfy needs and good or fairly good production management. Our township and town enterprise labor productivity increased from 1,761 yuan in 1980 to 2,992 yuan in 1984, or a 58.8 percent increase. According to a 1985 investigation of 5,525 products produced by 4,153 enterprises, 8.9 percent were high quality and 89.5 percent were standard quality. Our township and town enterprise have more than 120 varieties of export products, and the delivery value of this production accounts for approximately one-tenth of the delivery value of our export products. By the end of 1984, 2 of our township and town enterprise products had won national silver awards, 32 had achieved departmental excellence and 46 had achieved provincial excellence. Many of our products enjoy fairly great prestige both in China and abroad.

--Shandong's township and town enterprises have become a major national economic pillar. The output value of our township and town industry accounted for 19.4 percent of our industrial output value in 1984, or a 620-million-yuan increase over our 1969 industrial output value. The 1984 income of our township and town enterprises accounted for 37.1 percent of our rural economy income, or a 220-million-yuan increase over our 1980 rural economy income. From 1981 to 1984, our township and town enterprises paid 1,836,000,000 yuan in taxes to the state, or approximately one-tenth of our revenue for that period.

--Shandong's township and town enterprises have provided employment for many of the rural labor force and increased peasant income. Our township and town enterprises have now provided jobs for 6,588,000 people, or 22.6 percent of our rural labor force. Our township and town enterprise payroll and peasant distribution in 1984 totaled 3.45 billion yuan, or 51.46 yuan per capita for our agricultural population. According to a typical investigation, our rural per capita income has topped 500 yuan a year, over 70 percent of which is income from industrial sidelines.

12267/12859
CSO: 4006/544

FUJIAN'S 1985 SUPPLY, MARKETING SYSTEM SUCCESSFUL

Fuzhou FUJIAN RIBAO in Chinese 12 Nov 85 p 2

[Article by Lin Zhansheng [2651 0594 3932]: "Fujian Supply and Marketing System Changes from Single-Product Management to Diversified Service, Develops Service Field, Has Brisk Buying and Selling; Provincial Purchase and Sale Figures Increase 20 Percent and 8.3 Percent, Respectively, over Same Period in 1984; over 800 Commercial Industries Provide 20 Million Yuan of Export Goods Sources"]

[Text] From January to September 1985, buying and selling were brisk in Fujian's supply and marketing system, with their respective amounts increasing 20 and 8.3 percent over the same period in 1984, and a good "four-growth" momentum has appeared.

Over the past 2 years, our supply and marketing system reform has just begun. It has encountered much competition, considerable difficulties, and even passive conditions for a time. By the end of 1984, the sales volume of household consumer goods alone had decreased over 80 million yuan, and except for Xiamen, it had decreased to a great extent in all eight prefectures and cities throughout Fujian. Since 1985, our supply and marketing system has boldly reformed its management forms, actively developed the service field, invigorated buying and selling, and changed from single-product management to diversified service, enabling buying and selling work to develop.

1. The management scope of agricultural sideline products has been expanded. Since markets for rural agricultural sideline products were opened, supply and marketing cooperatives at all levels have practiced joint agricultural-commercial management and provided preproduction and ongoing production services. They have not only expanded traditional specialty management, but also increased management of pork, poultry, eggs, acquatic products, grain, lumber, and their products. Statistics show that the sales volume of Fujian's agricultural sideline products has increased 15.4 percent over the same period in 1984.

2. Ways to stock industrial products have been expanded. Supply and marketing cooperatives have smashed regional and trade barriers and stocked goods directly from factories in Fujian and other parts of China. They have not only increased the marketable supply of industrial products, but have increased the supply of high- and medium-grade commodities which are in short

supply and great demand even more, and the gross value of stocked goods throughout Fujian has increased 61 percent over the same period in 1984. Since goods sources have been plentiful, the amount of wholesale business between rural individual commerce and supply and marketing cooperatives has increased 22 percent over the same period in 1984.

3. The number of commercial industries has doubled, with the former approximately 400 industries having now grown to 800. The products that they produce and process have also grown from such former simple ones as condiments, pickles, and pastries to products, such as processed agricultural sideline products, building materials, hardware, chemicals, business machines, clothing, shoes, hats, household sundries, and arts and crafts supplies. This has increased state taxes and profits over 6 million yuan.

4. Varieties of export products have been increased. In addition to former traditional products, over 20 products, such as cotton, honey, jute, sesame seeds and tung oil, have been added, providing sources of export goods. Their direct export commodity value has topped 20 million yuan, or an increase of 23 percent over the same period in 1984.

12267/12859
CSO: 4006/544

SHAANXI ECONOMIC CRIMES DETECTED THROUGH INVESTIGATION

Xi'an SHAANXI RIBAO in Chinese 12 Nov 85 p 1

/Article by Shen Yunjun /3088 0061 7486/: "Shaanxi Achieves Notable Results in Tax and Financial Revenue and Price Inspection; More Than 20 Million Yuan in Illegal Funds Found in 2 Months Through Investigation"/

/Text/ The Shaanxi provincial symposium on tax and financial revenue and price inspection was held from 6 to 9 November. Attending the meeting were directors of inspection offices of various prefectures and municipalities and heads of work teams dispatched to various prefectures and municipalities and provincial-level units by the province. Vice Governor Zhang Bin /1728 2430/ addressed the meeting which was also attended by Zhao Huiqing /6392 1920 0615/, head of the work team sent by the State Council to Shaanxi.

To make this inspection a success, Shaanxi had transferred more than 13,000 specialized cadres, including cadres of department and bureau levels and section and team cadres under the counties and accountants and economic experts, by forming them into more than 2,670 work teams to penetrate factories and mining enterprises, business units and government organizations to supervise and assist in self-inspection and also carry out experiments in key localities. In 2 months, finishing at the end of October, 90,515 establishments throughout the province carried out self-inspection accounting for 57.89 percent of the self-inspected establishments. A total of 20.18 million yuan in illegal funds were found, accounting for 46.7 percent of the amount that should have been delivered into the state treasury.

The notable results achieved in inspection earlier were due to the efforts made by the leadership at all levels in establishing pertinent organizations level by level, successful propaganda work and work in rallying public opinion, the close cooperation and mutual support among various departments, efforts to give prominence to the main issues and consideration to general issues, attention given to blind spots on typical cases, and the carrying out of policies as promised by combining leniency with strictness. Representatives put forth six suggestions to ensure steady and in-depth development of inspection work. The meeting also made arrangements in earnest for carrying out inspection work a step further.

12662/12276
CSO: 4006/506

BRIEFS

ZHEJIANG PRICE INSPECTION--Zhejiang's price inspection efforts in 1985 turned up 7,600 cases of price policy violations. They included 261 cases in which the amount of illegal income exceeded 10,000 yuan. The illegal incomes confiscated and the fines imposed on the units and individuals involved in these cases totaled 10.64 million yuan. Of this total, 970,000 yuan was returned to the consumers affected and 967,000 yuan turned over to the state treasury. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 15 Feb 86 OW[/6662

ZHEJIANG PERSONNEL FOREIGN STUDY--Zhejiang will select personnel from industrial and commercial enterprises to study advanced skills and management experience abroad. The province will hold foreign language ability tests twice annually for those personnel wishing to study abroad. The first foreing language test for this year will be held in Hangzhou, Ningbo, and Wenzhou on 2 March. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 21 Jan 86 OW] /6662

CSO: 4006/768

FINANCE AND BANKING

BANK OFFICIAL ON SUPPORTING EXPORTS, CONTROLLING IMPORTS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese 4 Aug 85 pp 9-11

[Article by Zhao Bingde [6392 4426 1795], Vice President, Bank of China: "Support Exports, Control Imports; Promote Smooth Reform Implementation; Strengthen Macroeconomic Control, Stimulate the Microeconomy"]

[Text] There is a new situation in China's state economy. It is one of continuous, stable and harmonized development. The economic system is beginning to break out of its ossified and closed pattern that took a long time to form. Economic construction is taking a new path that is in keeping with China's present national conditions. The Bank of China [BOC] has done a lot of work and achieved rather good results in supporting economic construction and the development of foreign trade by actively using domestic and foreign funds through loan and investment channels according to state principles and policies. Nevertheless, we cannot lightly treat some problems remaining in China's economic development that are intimately connected to bank work, such as lax management of credit and consumption funds or having a bit too much money in circulation. These problems warrant our high regard.

The BOC is the state's specialized foreign exchange bank. Based on the central government's requirement of moderately restraining social demands, controlling consumption and investment inflation and gradually liberalizing growth rates, the emphasis of the bank's work in the future should be to consolidate and develop good conditions to strive to support exports, control imports, rationally use foreign exchange and RMB funds, improve the economic results from loans and investments, and promote the smooth implementation of economic system reforms.

I. Energetically Support Exports, Strive To Fulfil This Year's Export Earnings Plan

Based on the export situation since the beginning of the year, the State Council promptly issued a nationwide notice regarding stimulating exports and ensuring the state's foreign exchange earnings. Supporting the development of exports and increasing foreign exchange income are the BOC's main responsibilities. In order to fulfil them, with regard to mastering credit funds, we must ensure that funds are used to purchase goods that are suitable for export and for supporting projects producing export earnings.

Additionally, we should fully utilize the beneficial terms of specialized foreign currency banks, improve service, closely coordinate with foreign trade departments, and resolutely increase exports.

The leadership at all branch levels and credit departments must make use of the bank's special well-informed news sources and wide ranging contacts, utilize credit leverage and energetically help foreign trade departments fulfill local export supplies. This is the key problem for exports in the current year. When problems such as shortages of certain goods, rising prices, and conflicts between domestic and foreign sales are encountered in the fulfillment of supplies, we must improve investigation and reportage and ensure timely and rational solutions in accordance with the state policy of developing exports. We must actively help foreign trade departments establish long-term, stable foundations for hot-selling export goods in their areas.

After exports are put on schedule, the BOC and foreign trade departments must adopt effective and strong measures to achieve safe and timely foreign currency incomes, such as improving the work of administrative and investigating units, guaranteeing the quality and quantity of export producers, launching express mail and electronic payment services, speeding up the early receipt of currency, establishing a sound and rapid export payment system for rapid receipt of overdue payments, strengthening the flow of business, giving good advice about foreign trade, and striving for rather advantageous or equal and mutally beneficial terms with respect to deadlines, currencies, and setting prices. At present competition in the international marketplace is fierce. We should pay special attention to problems regarding traders' credit and provisions for trade settlement.

At present foreign trade is undergoing a planned, step-by-step reform. Privately-run and agent businesses overlap. We must consolidate the several thousand newly formed household import-export enterprises, promote a licensing system for imports and exports in a step-by-step manner, and implement a graded examination, approval and permit-issuance system for imports and exports. In order for foreign trade departments to adapt to the new measures adopted for opening up and reforming, the BOC must earnestly study, actively coordinate, and thoroughly implement them. Additionally, we must enhance management. To promote the normal development of exporting business and foreign exchange earnings, the bank has the authority to strictly supervise those who disrespect policies, regulations and the system; who adversely affect uniform business practices with foreign countries; who utilize a high proportion of retained earnings in certain areas; who settle accounts with other areas for their local exports, and who hide or seize the state's foreign exchange.

II. Control Imports, Ensure the Use of Foreign Exchange According to the State Plan

To control imports the State Council issued a decision regarding strengthening foreign exchange management and a notice of foreign currency quotas to be used for planned imports by areas and departments in 1985. By means of certificates and foreign currency use and quota account revenue and expenditure transactions, the BOC and foreign trade- and foreign currency-managing departments can strictly ensure that all areas and departments follow regulations and do not exceed state plans in the use of state-approved foreign exchange quotas. We must strictly adhere to the state plan and foreign exchange quotas set through various channels by related administrative departments, and in accordance with the provisions of the state's foreign exchange administration regulations, establish and perfect handling procedures for foreign exchange quota accounts, revenue and expenditure transactions and allocations. Certificates will not be issued when procedures are incomplete for any examination and transfer, allocation and transfer, or revenue and expenditure foreign currency quota transaction; when doing so adversely affects the bank's accurate calculation of funds or its control of foreign currency and foreign currency guarantees according to plan; or when usage is being monitored for adversely affecting the bank's acting according to regulations. The bank will not certify enterprises that were not authorized by the relevant government departments to engage in importing and exporting or those without government import licenses. We must master the approval process with reference to targets, quotas and usage.

To effectively carry out the work of granting approvals and to protect the BOC's international reputation, all branches must follow the methods set by the main office for cash deposit acceptance with import certificates, and accept cash deposits strictly according to regulations. RMB and foreign currency should be accepted as required. The BOC has authority to refuse to issue certificates whenever cash deposits are turned in against regulations.

When it is necessary to apply for approval of a BOC foreign exchange loan or investment, those applications that are within the plan which can be approved as regulated by the main office must be signed by and bear the seals of the foreign exchange credit office director and the trust department manager. Applications that are outside the plan or exceed the authority set by the main office must be passed on to higher levels bearing the local branch director's signature and seal on the application form.

All uses shall be investigated, regardless of whether imports are accomplished by using foreign exchange that is state-allocated, local or departmental, or foreign exchange that is in the form of loans or investments from the BOC or other financial institutions. The bank should not grant approval or pay funds for any good whose importation is controlled by the state or that does not bear a license approved by the responsible department of the State Council.

III. Control the Scope of Credit; Improve Economic Results of Fund Utilization

According to the spirit of the State Council's circular, we must strictly control the overall scope of credit. All branches must strictly implement and not exceed the credit plan and credit balance drawn up by the People's Bank. In order to realize satisfactorily this year's credit plan, we must both enliven the economy and strengthen macroeconomic controls. The task of sustaining a continued, stable and coordinated state economic growth rate is arduous. Therefore, when developing business we definitely must thoroughly implement credit principles, policies and plans, and further define the emphases for credit and investment. We should be strict and flexible as necessary. We must strengthen credit administration and continuously improve credit work standards and the results of credit use.

This year's foreign trade export task is very important. Stocks of saleable goods will certainly increase, and moreover, the price of certain exports will increase just as the need for funds will grow at each link along the line of purchases, allocations, transport, storage and account settlements. Therefore, the target of the BOC's liquid credits should mainly be oriented toward foreign trade enterprises and those approved for importing and exporting. Certain enterprises not related to the import-export business shall in principle not be granted credit. We must think of ways to recover funds already lent and guarantee the utilization of funds. Collective enterprises, state enterprises managed like collectives and enterprises run under a contract-profit system generally must have 30 to 50 percent of their own funds. Within the scope of possibility, some credit may be provided, but not all is to be accommodated.

This year the state credit plan's target for the BOC's fixed asset loans and investments has increased but there is still a large conflict between need and possibility. We certainly must proceed from an overall standpoint and strengthen the administration of fixed asset loans according to state policies and regulations. Capital construction loans and investments must be controlled according to the project, and must not exceed the state-issued plans. Enterprises' self-initiated capital construction shall not be given credit. Funds shall be granted according to the plan for technical transformation loans and RMB loans and investments which are completely covered by foreign currency funds. Extra recovered funds can be turned over. At year-end, unused quotas can be rolled over into next year. It must be stressed that BOC short- and medium-term credit for equipment exports and RMB loans and investments that are completely covered by foreign currency funds are mainly for foreign currency loans issued by the BOC and for complete foreign investments. If the figure falls short of the quota, we must stress and ensure that use is for complete foreign currency loans and investment and for export-earning projects.

IV. Control the Extension of Foreign Currency Loans

Leading comrades of the State Council recently stated that the BOC's foreign currency loans must be curtailed. We must thoroughly implement their instructions.

We must strictly control foreign currency loans, investments and guarantees. 1. The amount of currency for use is approved by the state and should not be exceeded. 2. Approved amounts should not exceed the amount of foreign currency under the state plan. 3. Foreign guarantees must be handled strictly according to regulations. Those that do not meet the terms or exceed credit limits shall not be paid. 4. Branches must gain the approval of the main office for foreign borrowing and capital subscriptions, and all loans must be brought into line with the foreign currency credit plan. 5. Credit approval and investment authority should be the responsibility of bank managers at every level and must not be relegated to other levels. Additionally, every foreign currency loan and investment target given to administering branches by the BOC main office will be centralized and controlled so that dispersal and fragmentation are no longer easy.

Under the principle of strict control, the points to be grasped hereinafter in every foreign currency loan and investment are: provided that the documentation meets requirements once an examination has been made and approval given for opening a letter of credit, BOC foreign currency loans and investments must be paid on time. We must do our utmost to obtain favorable interest rate loans. Funds recovered from floating interest rates and subsidized enterprise loans can be reloaned but cannot further increase the target or go beyond the year-end remainder. We must adopt measures to make both A and B special foreign currency loans generate balance in a sound cycle.

This year we have begun to try out methods to control foreign currency credit and funds. Within the scope of policy directives every branch office should energetically enlist depositors, stabilze old accounts and develop new ones. All loans will be issued this year according to the plan and the main branch's relevant control measures regardless of whether the branch's deposits exceed or fall below the plan. We must continue to adhere to the Central Committee's policy of giving priority to the technical transformation and expansion of existing enterprises in terms of loans and investments and stress the unification of foreign currency loans, investments, and export earnings to mainly support projects with shorter terms, high results, high foreign currency earnings and quick recovery.

In order to accurately understand and thoroughly implement the Central Committee's principles and policies, to promote the smooth implementation of the reform of the economic system and the development of the construction of the four modernizations, we must pay great attention to idelogical and political work, enhance party spirit, strengthen discipline and earnestly achieve and maintain political unanimity with the Central Committee. We must now pay particular attention to strictly implementing state credit plans and foreign currency credit and investment control measures, to maintaining financial discipline and to strictly controlling all payments and expenditures. The Accounting Law of the People's Republic of China has been announced and executed. Every branch office must highly regard and earnestly and thoroughly implement it.

12615
CSO: 4006/46

AGRICULTURAL BANK EXERCISES BETTER CONTROL OVER CREDIT

Beijing RENMIN RIBAO in Chinese 2 Feb 86 p 2

[Article by He Jiazheng [0149 0502 2973]: "Agricultural Bank Defines Measures To Better Control Credit by Tightening or Relaxing on Merit"]

[Text] While strengthening macroeconomic control in compliance with the pertinent guidelines of the CPC Central Committee and the State Council this year, the Agricultural Bank has also made efforts to improve credit control. The national conference of branch managers of the Agricultural Bank that ended on 1 February worked out, after discussion, several measures for better control.

Reducing mandatory targets and expanding the scope of guidance in extending credit. Last year, numerous mandatory targets were set for the purpose of controlling credit more effectively without properly regulating the projects involved. This year the main office set forth three mandatory targets: limits on loans, loans for technological transformation, and loans for equipment to be used by township and town enterprises. Other loan targets may be set according to actual local needs and by adjusting priorities between projects and making overall plans for fundraising and the use of funds.

Allowance for extending more loans in relation to more deposits. The conference decided that the portion of the total amount of deposits in excess of the fiscal plan may be used for other loan projects not included in the targets under mandatory planning. This provision is conducive to improving the total volume of credit and easing the conflict of supply and demand in funding without affecting the currency issuance plan; it is also conducive to mobilizing the enthusiasm of Agricultural Bank branches at all levels in organizing funds so that more consumption funds will be turned into production and construction funds to stabilize market prices. The main office of the bank called on various branch banks to make good use of this portion of funds available for making "additional loans" and to put more of it in good use in agriculture with priority.

Dealing with each case on its merits according to the degree of economic development in various localities. The main office of the bank called on various localities to deal with each case on its merits, even within a region. It was decided that this principle of dealing with each case on its merits would also be implemented in extending loans and that strict control should be exercised over the scale of investment in fixed assets and loans for current funds should be adequately extended with flexibility.

The credit policy for poverty-stricken areas should be readjusted and the proportion of deposit reserve funds of credit cooperatives should be adequately reduced; the proportion of one's own fund as a condition for borrowing should be reduced; the scale of loans should be expanded, and the time limit for development loans extended; 300 million yuan will be allocated this year for special loans in support of the poverty-stricken areas in developing the commodity economy.

Improving the quality in using funds. We should not lopsidedly interpret improving macroeconomic control as a means to increase the amount of funds only. We should perfect the system of fund management, improve credit-control measures and control and use credit funds effectively. The main office of the bank called on branch banks and credit cooperatives at all levels to act in strict adherence to the principles and rules and regulation governing credit and work hard in raising efficiency in the use of funds.

The conference held that the demands being imposed on the financial departments in improving macroeconomic control while strengthening it at the same time are higher than ever. They required that the mandatory plan not be overreached and the results in using funds be improved by flexibly regulating and collecting interwoven funds so that control over them be tightened or relaxed on merit. This cannot be readily accomplished without setting a certain level of operation and management. For this reason, banks at all levels must strengthen operations and management, educate and train the contingent of workers and staff members effectively, and raise the quality of their working personnel.

12662/12859
CSO: 4006/689

GUANGDONG REPORTS RECORD HIGH REVENUE IN 1985

Guangzhou NANFANG RIBAO in Chinese 9 Jan 86 p 1

[Article by Li Sensheng [2621 2773 4141]: "Guangdong Sets New Record in Financial Revenue in 1985 As a Result of Reform, Broadening Sources of Income, Reducing Expenditure and Plugging Up Loopholes, Fiscal Plan Fulfilled by 136.3 Percent, Showing a Balance Between Income and Expenditure with Some Surplus"]

[Text] Guangdong's financial revenue was in good shape in 1985 achieving a balance between income and expenditure with some surplus. According to statistics of the provincial finance department, Guangdong's revenue amounted to 6.88 billion yuan representing 136.3 percent fulfillment of the fiscal plan and an additional income of 1.83 billion yuan. By comparison, it topped last year by 1.6 billion yuan or an increase of 33.8 percent, thereby setting the highest level in Guangdong revenue since the founding of new China.

The CPC committee and governments at all levels in Guangdong had further strengthened leadership over economic work in the past 1 year ensuring the sustained, steady, and proportionate development of the national economy. Centering around the principles of "reforming, broadening the source of income, reducing expenditure and plugging up loopholes," finance and tax departments at all levels implemented the financial system with each level taking responsibility, thereby effectively arousing the enthusiasm for increasing income and reducing expenditure at all levels. The second step of the reform to replace profit delivery with tax payment was implemented in the state enterprises to ensure the steady increase in the state revenue and give more vitality to enterprises. As a result, the economic results in enterprises were improved to some extent, basically achieving simultaneous increase in output value and sales and tax for profit payment and the state revenue. In the past year, some new taxes were also added, putting taxation into full play as an economic lever. Measures were also adopted to support economic development in the mountainous areas with a system, policies, and funds to help them get rich by exploiting mountain resources. Since the fourth quarter of last year in particular, a large-scale inspection in tax revenue and financial affairs was carried out throughout Guangdong to ensure repayment of cheated, evaded, and deliquent taxes. All this created conditions for increasing financial revenue.

In 1985, Guangdong had also overfulfilled the central task of raising funds. A total of 460 million yuan was raised for key energy and transportation construction projects fulfilling the annual plan by 143.8 percent; it also purchased 354 million yuan in treasury bonds fulfilling the annual plan by 104.1 percent. Guangdong did its bounden share in striving to bring about a turn for the better in the state financial and economic conditions.

12662/12859
CSO: 4006/689

CHINA'S LIGHT INDUSTRY DELIVERS HUGE SUM OF TAX FOR PROFIT

Beijing ZHONGGUO QINGGONGYE BAO in Chinese 12 Jan 86 p 1

[Article by special correspondents Wang Fengxian [3769 1144 0341] and Wang Xiangxing [3769 4382 5281]: "Light Industry Reports Brisk Production and Sales and Improved Economic Results Last Year, 31.9 Billion Yuan in Tax Payment Replacing Profit Delivery Can Be Fulfilled; the Increase in Collective Enterprises Is Greater Than in State-Owned Enterprises"]

[Text] Guided by the policy of invigorating the domestic economy and opening to the outside world, China's light industry developed very rapidly in 1985. An excellent situation in production and marketing unseen in many years emerged, with products sustaining brisk sales and with output value and economic results increasing at the same pace. This was described by a responsible person of the Ministry of Light Industry to the correspondents when touching on the subject of light industry production and marketing in 1985. The responsible person said that light industry production last year had three most distinguished characteristics: First, it developed at a fairly steady high speed. It was estimated that the gross output value of the system of light industry would reach 156 billion yuan in the whole year, an increase of 17.7 percent over the preceding year. Compared with 1980, the annual increase during the Sixth 5-Year Plan period averaged 10.7 percent. Such an increase in high speed was unprecedented in local history. It played an important role in balancing purchasing power, withdrawing currency from circulation, and stabilizing the market. Second, the output of brand name and quality products in great demand in the market increased markedly. Compared with 1984, refrigerators for household use increased 165 percent; washing machines for household use, 47.04 percent; brand name bicycles, 11.8 percent; wrist watches, 11.77 percent; beer, 23.06 percent; glass products for daily use, 18.69 percent; synthetic detergent, 23.52 percent; plastic products, 6.98 percent; electric fans, 93.85 percent; stainless steel products, 50.55 percent; nonalcoholic beverages, 31.37 percent; fountain pens, 25.26 percent; and toys, 13.99 percent. Third, a synchronous increase in output value receipts from sales and tax in place of profit delivery. According to the statistics compiled from nearly 47,000 light industry enterprises with independent accounting systems based on the financial gauge of the Ministry of Light Industry, comparing the period from January to November 1985 with the same period in the preceding year, output value increased 20.76 percent, receipts from sales 26.32 percent, total tax payment replacing profit delivery 25.66 percent, in which total profits increased 22.34 percent.

According to a responsible person of the financial division of the Ministry of Light Industry who revealed to the correspondents that, while carrying on with the reform in the past 2 years, light industry departments in various parts of the country continued to improve operations and management, set up and perfected the output-related responsibility system, adopted various measures to increase income and reduce expenditures, assimilated unfavorable factors, and improved economic results thereby bringing about a synchronous increase in the GVIO income from sales of products and tax payment replacing profit delivery.

It was estimated that 31.9 billion yuan in tax payment replacing profit delivery for 1985 could be fulfilled. This would mean an increase of 60.3 percent over 1980. This responsible person said that the light industry system could possibly fulfill tax payment in lieu of profit delivery in the amount of more than 130 billion yuan during the Sixth 5-Year Plan period, averaging cumulative increase of 9.8 percent a year. He said that the rate of increase of collectively owned enterprises was higher than that of state-owned enterprises with the former increasing an average of 11.6 percent a year and the latter 9.3 percent a year.

12662/12828
CSO: 4006/685

HEILONGJIANG'S SECOND INDUSTRY SHOWS SIGNS OF IMPROVEMENT

Harbin HEILONGJIANG RIBAO in Chinese 13 Jan 86 p 2

[Article by Heilongjiang's Second Light Industry Department: "Heilongjiang's Second Light Industry System Shows Sign of Improvement--A Profit of Approximately 150 Million Yuan Was Realized Last Year, an Increase of 20 Percent over Preceding Year"]

[Text] By concentrating efforts on reform and strengthening management, Heilongjiang's second light industry system brought about an excellent situation last year characterized by a marked increase in profit exceeding the increase in the amount of sales. By the end of last year, approximately 155 million yuan in profit was realized, which represented an actual increase of 20 percent over the preceding year.

For the past year, the second light industry has driven the reform in depth by implementing the factory manager responsibility system as a breakthrough. They learned from Ma Shengli [7456 0524 0448] from afar and factory manager Li Rong [2621 2837] of the Zhaozhou County Plastic Packing Factory nearby and commended 20 pioneering bureau directors and factory managers to show off many "capable persons" running the factories. According to statistics of 1,193 enterprises, 862 enterprises or 72.3 percent have instituted the factory manager responsibility system. The Fujin County Steel Rings Plant elected supply and marketing assistant Sun Zhixian [1327 1807 6343] plant manager and put forth a policy of "accurately and quickly respond to the market situation, quickly get on with production after successful experimentation, selling products quickly and quickly shifting to other products after the market reaches the saturation point." As a result, 32 much-needed products in the market were developed and are being sold far away in 12 provinces, municipalities, and autonomous regions making a profit of more than 300,000 yuan.

To solve the problems of second light industry enterprises arising from poor and weak foundations and lack of technology, equipment, funds, goods and materials, and plant buildings, the second light industry throughout the province has entered into coordinated operation jointly with its counterpart both inside and outside the system, inside and outside the province and the country. At present, 356 integrated entities have been organized, including 102 integrated ones within the system and 254 outside the system. The integration has made available 65 million yuan in funding, 6,500 tons of rolled steel, more than 5,000 cubic meters of timber and more than 2,000 square meters in plant buildings, and absorbed more than 500 technical management personnel. The Harbin Municipal Second Light Industry Bureau pooled 40 bureau-affiliated factories and 120 enterprises both inside and outside the system to form into 42 integrated economic entities, which from January to October last year yielded 142 million yuan in GVIO, an increase of 36.2 percent over the same period of the year before last; and made 10.36 million yuan in profit, an increase of 45.2 percent over the same period of the year before last.

Heilongjiang's second light industry system has also popularized on a priority basis the 18 modern management measures drawn up by the State Economic Commission and introduced management procedures in enterprises with comparatively weak foundations to handle prcjects governing value, network, analysis based on cost and profit and cost objectives. Based on an analysis of the 650 enterprises which implemented the modern management methods, 106 enterprises achieved results and created value amounting to 10.95 million yuan.

12662/12828
CSO: 4006/685

REPORT ON PIONEER OF CHINA'S AUTOMOBILE INDUSTRY

HK210745 Beijing ZHONGGUO XINWEN SHE in Chinese 0231 GMT 18 Feb 86

[Report by Sun Bicheng [1327 1801 2052]: "Meng Shaonong, the 'King of Automobiles' in China"]

[Text] Wuhan, 18 Feb (XHONGGUO XINWEN SHE)--Meng Shaonong should go down in the history of China's automobile industry. Not long ago, this old expert, known as the "king of automobiles," celebrated his 70th birthday in the automobile factory in which he works. Celebrities of automobile circles at home and abroad sent letters and telegrams of congratulation, and he was praised as "the one who has pushed forward China's automobile industry."

Mr Meng Shaonong is one of the pioneers and founders of China's automobile industry. Over the past 4 decades, he has always strived at the forefront of the automobile industry. He took part successively in the preparations for building several large-type automobile factories, such as the No 1 Automobile Factory of China, Shaanxi Automobile Factory, and No 2 Automobile Fac-which is in Hubei, and became deputy director and concurrently chief engineer of all three factories in succession. He has covered a distance of 100,000 li, and rendered meritorious service to the development of China's automobile industry.

Meng Shaonong's ancestral home is Taoyuan, Hunan, but he was born in Beijing, the former Peiping. At 20, he was enrolled in the Engineering Department of Tsinhua University. In the course of his study, he spent a year learning to drive a car. When the Luqouqiao Incident broke out in 1937, he served for a time in a mechanized division in General Du Yuming's army. That heavy equipment and backward technology made him feel deeply that being backward, China would be beaten, and that it was imperative to vigorously develop industry if the Chinese nation was to be invigorated. Thus, he resumed his college study at the engineering department of the Southwest Associated University in Kunming. Because of his intelligence and hard work, he was enrolled in the famous U.S. Massachusetts Institute of Technology as a postgraduate in 1941, passing the entrance examination with excellent marks. He majored in the automobile specialty, and through hard work, he got his MS degree in something over a year. In order to master more knowledge in application through practice in the factory, with a view to rendering service to the motherland in the future, he did fieldwork in Ford and Studebaker automobile factories, and took up practical work at the production works as an engineer.

With the victory of the War of Resistance against Japan, he made up his mind to leave the good material research conditions in the United States, and returned on the first boat to China from the United States when the sea was clear for the voyage. He took up teaching at Tsinhua University, and overcame one difficulty after another in opening the automobile speciality in the Engineering Department, which laid the foundation for the Automobile Department of Tsinhua University.

The birth of New China ignited the long-cherished hope of Meng Shaonong: Why should imported automobiles run on China's land when no China-made automobiles had ever left the print of their wheels on foreign land? "I do not want to be a professor any more; I want to build automobiles. I am determined to produce China-made automobiles!" Soon, he became deputy director of the preparation group for China's automobile industry, and in 1953 he was appointed chief engineer and concurrently deputy director of Changchun No 1 automobile factory. With 3 years' efforts in building the factory, the first batch of China-made automobiles in Chinese history were produced, thus ending the history of the Chinese being unable to manufacture automobiles.

Under the command of Meng Shaonong, the "Dongfeng" brand 5-ton truck manufactured by the No 2 automobile factory was characterized by its great power, high speed, oil economy, and maneuverability. "Dongfengs" have continued driving to all parts of the country, but Mr Meng was not intoxicated with the existing achievements. With the spirit of continuing the struggle, he initiated the strategic target for the No 2 automobile factory of "creating a famous brand, winning a gold medal, and making it enter the world market." He took an active part in organizing the design of the second and third generations of automobile products, striving to transform the first generation of China-made automobiles, to promote a generation of new products, and to develop a generation of future products.

Mr Meng's dream has finally come true. With the eighties, "Dongfengs" have begun to enter the world market, and have been selling in more than 10 countries in America, Africa, and Southeast Asia. In 1985, the No 2 automobile factory had an annual output of 90,000 trucks, a record high. The factory plans to produce 100,000 trucks this year, exceeding the annual output of Changchun No 1 automobile factory and becoming the nation's first large-type automobile factory.

As chief engineer of this automobile factory, what is Mr Meng thinking of at present? He is thinking of taking a firm grasp of bringing up a large number of qualified people for the automobile industry. If China is to develop its automobile industry by a large margin, it will require the efforts of several generations. So now, Mr Meng is taking up his textbooks and mounting the platform of the Hubei Automobile Industry Institute.

/6662
CSO: 4006/764

INDUSTRY

BRIEFS

CHINA'S TUNGSTEN INDUSTRY BLOSSOMING--By vigorously developing intensive processing of tungsten products and changing the export product mix in recent years, China's tungsten industry has turned China from a tungsten resources power" into a "tungsten industry power." China ranks first in the world in tungsten reserves, concentrate output, and tungsten export volume. However, as tungsten has long been sold in large quantities as raw material, the advantage of tungsten resources has not been given full play. China's tungsten industry has made a gratifying breakthrough in recent years in developing intensive processing technology and new processes for tungsten products, greatly increasing the variety of intermediate and manufactured tungsten products. The varieties of primary processed tungsten products and finished products for export have increased from a few to several dozen in kind nationwide, of which the annual export volume of carbonized powdered tungsten registered a 40-fold increase over 1981 and the output of tunsten material and export volume showed a more than 4-fold increase over 1983. At the same time, the quality of China's tungsten concentrate and tungsten products has improved considerably making them more competitive in the world market. Most of the tungsten mines across the country current are capable of producing many kinds of special products. The export volume of tungsten concentrate mines throughout China in 1985 increased by approximately 25 percent over the preceding year. Some products are famous in the world market. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Jan 86 p 1] 12662/6662

ZHEJIANG INDUSTRIAL OUTPUT--Zhejiang's industrial departments overfulfilled the 1985 output value plan by 21 percent. State-run industrial enterprises increased the 1985 output value by 13.71 percent over that of 1984; sales turnover, profits, and taxes increased by about 20 percent over the previous year. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 16 Jan 86 OW] /6662

CSO: 4006/764

BRIEFS

ZHANGJIAGANG DEEP-WATER BERTHS APPROVED--The two newly completed deep-water berths for 20,000-ton vessels in Zhangjiagang passed state inspection for take-over today. The new piers were completed and commissioned 6 months ahead of schedule, adding an extra 700,000 tons in annual comprehensive passage capacity. They will play a positive role in further promoting domestic and foreign trade and satisfying the requirement to open ports along the Chang Jiang for foreign trade. Zhangjiagang, located at the juncture of Jiangsu's Shazhou and Jiangyang counties, is an excellent deep-water haven capable of loading and unloading cargo year-round. It was originally equipped with two 10,000-ton-class and two 5,000-ton-class landing stage-type floating piers. In 1982, the Fifth NPC approved the opening of ports to foreign ships. To meet demands arising from the rapid development of foreign trade, the state approved the expansion of Zhangjiagang. The first-phase expansion project completed at this time included two platform and beam-type permanent piers which are 180 meters long and 30 meters high, a storage area covering 53,600 quare meters, roads in the harbor district covering 22,000 square meters, and accessory projects including the No 701 depot and an equipment depot covering 7,700 square meters, with a total investment of more than 31.8 million yuan. [Text] [Nanjing XINHUA RIBAO in Chinese 22 Dec 85 p 1] 12662/6662

LIAONING EXPORT BASES REGULATION--The provincial government formulated provisional regulations on building bases for the production of export commodities and factories for the production of specialized export products to encourage the enterprises to create more foreign exchange by offering more export products. The bases for the production of export products and factories for the production of specialized export products can be built on the condition that the enterprises have a certain scale of production and fix quotas for the production of qualified, marketable export products. Through examination and approval, the provincial government shall issue certificates to the units that are applying for the construction of the bases for the production of export commodities and factories for the production of specialized export products. Favorable assistance must be given to these bases and factories in terms of the supplies of goods and materials, the quality of products, prices, and technological transformation. The proportion of foreign exchange retained by these bases and factories should be higher than that of the ordinary enterprises producing export products. So far, the provincial government has approved the construction of the first group involving 21 bases and factories of these kinds. [Text] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 17 Feb 86 SK] /6662

CSO: 4006/764

EXPORT OF NATIVE PRODUCTS NETS $2.3 BILLION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 26 Dec 85 p 1

[Article by Feng Xiao [7458 7197]: "Export of Native Products Nets $2.3 Billion in 1985"]

[Text] There is an increasing demand in foreign countries for our native and animal products, such as jute, gunnysacks, firecrackers, and fanfare, such animal feeds as corn and bean husk, honey, carpets, feathers, goat hides, and medicinal herbs. Up to the end of November, the export of our native and animal products has earned $2.32 billion. It is expected that the quota for the year will be exceeded.

Qi Guangcai [7871 1684 2088], general manager of the head office of the China Native and Animal Products Import and Export Co., told the reporter some days ago that the export of our native and animal products had been on the rise throughout the entire Sixth 5-Year Plan period, that total exports during that period had reached $11.7 billion, that there had been an increase of 56 percent compared to the Fifth 5-Year Plan period and that such exports comprised 10.15 percent of those of all types of commodities from the nation.

Qi Guangcai stated that the head office of the Native and Animal Products Import and Export Co. had sought to promote exports, on the one hand, and to increase the supply of goods, on the other, during 1985, that many branch companies had made use of their information on various commodities, their export capability and the support they had given to promote production to conclude agreements and contracts expeditiously and to ensure the supply of goods. Some companies have also made use of their branches or affiliated enterprises to engage in direct purchasing. As to the purchasing of commodities in demand and the support they have given to promote production, these companies have imported such urgently needed materials as chemical fertilizers, steel, and transportation equipment in order to ensure a greatly increased supply of export commodities. While the task of promoting exports has been made more difficult in view of the somewhat unfavorable international market situation in 1985, units of the Native and Animal Products Import and Export Co., in addition to increasing the sources of supply, have been able to avail themselves of their overall advantage to unite as one in engaging in external operations in accordance with the relevant stipulations regarding coordination and management, to seize the opportunity to conclude transactions in time and to increase exports in order to increase foreign exchange earnings.

According to Qi Guangcai, the Native and Animal Products Import and Export Co., will, during the Seventh 5-Year Plan period, continue to improve its traditional markets in Japan, Europe, the United States, Hong Kong, and Macao in accordance with the principle of increasing foreign exchange earnings for the state and to direct its efforts toward the opening of new markets and increasing its export foreign exchange earnings.

9621/7687
CSO: 4006/589

PRINCIPAL ACTORS IN FOREIGN ECONOMIC RELATIONS DISCUSSED

Beijing FAXUE ZAZHI [LEGAL RESEARCH] in Chinese No 4, 15 Aug 85 pp 17-19

[Article by Liao Yanbao [1675 1693 6283]: "The Question of Principal Parties in Legal Economic Relations Involving Foreigners"]

[Text] The relationships of legal responsibilities arising from economic relations involving foreigners are called foreign economic legal relations. The term "principal parties" refers to the parties in joint ventures and cooperative enterprises, or the parties in buying and selling, leasing, credits and loans, transportation, contracting, acting as agents and in employment of personnel, as well as the parties in any other economic relation. The two parties in these relationships are persons who enjoy rights as well as persons who undertake obligations; they constitute an indebtedness, where creditor's rights and debtor's liability are mutual opposites, clearly defined by the provisions of contract or treaty and guaranteed by law. The principal party in this kind of foreign economic legal relationship is prescribed by law, namely in Article 18 of the Constitution of the PRC: "The PRC permits foreign enterprises, or other economic organizations or individuals to invest in China and to engage in various forms of economic cooperation with Chinese enterprises or other economic organizations according to the laws of the PRC." The provisions of the Law on Joint Ventures with Chinese and Foreign Investment are fundamentally the same as the provisions of the constitution, only that the term "corporation" had been added. The Guangzhou Provincial Regulations on Special Economic Zones [SEZ's] added the terms "overseas Chinese, compatriots from Hong Kong and Macao and their coporations and enterprises." The special regulations of Guangzhou Province also list Taiwan compatriots and their corporations and enterprises, and designate the other party merely as "our side." In this way, the principal parties in the foreign economic legal relations become rather complex, involving overseas Chinese, Hong Kong compatriots, Taiwan compatriots and their corporations an enterprises. They are not "foreign," but still are a party that comes to China to invest or to engage in various kinds of economic cooperation. If we differentiate China as one side and all the others as the other side, the principal parties in the foreign economic legal relationship can be represented as follows:

One side: Chinese enterprises and corporations
Other Chinese economic organizations

The other side: Foreign enterprises and corporations
Other foreign economic organizations
Foreign individuals
Overseas Chinese, Hong Kong and Macao compatriots, Taiwan compatriots, their enterprises and coporations

A. Questions About the Principal Foreign Parties in the Foreign Economic Legal Relationship

This is comparatively clear. Apart from overseas Chinese, Hong Kong and Macao compatriots, Taiwan compatriots and their enterprises and corporations not really being "foreign," as we said before, but for understandable reasons included among the "other side," about which we do not comment further, the principal parties on the foreign side are constituted by two kinds of persons, juristic and natural persons. In foreign countries and in international economic intercourse, the principal parties of legal relations are always these two kinds of persons. Juristic persons are social organizations that attain the status of subjects with rights and obligations by provisions of the law; natural persons are living persons who by birth attain the status of subjects with rights and obligations and who are capable of bearing responsibilities. China has not yet instituted an extensive system of juristic persons, but in foreign economic legal relations it has acknowledged the existence of juristic persons some time ago to meet the needs of international economic intercourse. The earliest was in July 1979 when Chinese juristic persons were first mentioned in a Chinese law, namely in the Law on Joint Ventures with Chinese and Foreign Investment, when it was recognized that the Chinese-foreign joint venture enterprises established on Chinese territory were Chinese juristic persons.

This makes it fairly clear who the main parties in foreign economic legal relations on the foreign side are. In actual working conditions, there are still many comrades who do not yet clearly understand that foreign natural persons can also constitute parties in foreign economic relations, and therefore do not deal with them, losing opportunities for certain economic relations. This condition will gradually be mended; once these comrades are organized to study the constitution their knowledge will be expanded and they will be improved.

We merely have to pay attention to one phenomenon, namely that a party may be neither juristic person nor natural persons. There exist such economic organizations in between the natural and the juristic persons, the typical representative being the partnership. In an examination of legal history we find that in every country the natural person was always the first entity endowed with civil rights and obligations. It was only due to social and economic developments and the rapid development of commodity economy that the juristic person gradually came into being. Later, commercial affairs branched off from civil affairs and became an independent branch of jurisprudence. Juristic persons of economic relations are mostly persons of private law. In the process of developing from natural to juristic person, there inevitably appeared intermediary forms of economic organizations. Since commerce has a history of several thousand years, partnerships existed 2,000 years ago and legally exist in foreign countries down to the present.

There are two kinds of partnerships, profit-making and non-profit-making. Since the present article discusses foreign economic relations, we shall limit our discussion to the profit-making partnerships. The partnership is an agreement between two or more persons to join part of their property for the joint operation of a business for the purpose of sharing the profits earned in a business operation. The partnership has four distinctive characteristixcs: First, the mutual rights and obligations between the partners are agreed upon and determined in the partnership agreement, and not by specific legal provisions as in the case of corporations. Second, the partners are jointly and severally responsible for the liabilities of the partnership; to liquidate an external debt, every partner shares the liability according to the partnershiup agreement. Third, important economic questions of partnership organization must be decided jointly by all partners. Fourth, the laws of many countries have long refused to treat the partnership as a juristic person. This has become standard international practice. Only quite recently have some countries allowed partnerships to register as juristic persons. For instance, in France, law No 78-9 of 4 January 1978 laid down the new rule: "Article 1842; Apart from silent partnerships of Chapter 3, partnerships may enjoy the status of juristic persons from the day of their registration." In partnerships that have acquired this status of juristic persons, the partners are no longer individually and jointly responsible for debts (i.e., they are only responsible to the extent of their share of investment). Partnerships qualifying as juristic persons can also hire non-partners to run the business. A prerequisite for attaining juristic personality is registration. Partners who have agreed not to register or who are unwilling to register their names are called "silent partners," and such partnerships cannot attain juristic person status. Thus most of the partnerships encountered in current international economic intercourse are still neither juristic nor natural persons.

The situation is then such that whereas China does not regard partnerships as one of the principal parties on the foreign side of its foreign economic activities, and refuses to have dealings with them, opportunities are lost to establish economic relations, and if the partnership is economically of a superior type and technologically highly qualified, it is an even greater loss of opportunity for foreign economic and technical cooperation, thus most unfavorable for China. It is therefore necessary for us to regard partnerships as principal parties on the foreign side in foreign economic legal relations. We must not leave them out in the cold just because they are neither juristic nor natural persons. However, since partnerships are after all complex structures, it is also necessary for us to be exceptionally alert when we engage in economic relations with foreign partnerships. We must thoroughly investigate and study their history, their capital, their reputation, and the conditions of all the partners, their residences, etc., to gain a very thorough understanding of them, to avoid any deception, and to be prepared to successfully press a claim in case any problem should arise.

A similar case is "economic organizations." Article 18 of the PRC Constitution permits foreign economic organizations to invest in China and engage in every form of economic cooperation, which makes foreign "economic organizations" one of the principal parties on the foreign side in our foreign economic legal relations. There is no legal interpretation and no conclusive opinion among legal scholars yet for the term "economic organizations." Generally, what is called an "economic organization" is a social organization that has its own independent financial resources and engages in economic activities with the aim of making profits. For instance, a chamber of commerce, though a social organization, is not considered an economic organization. Economic organizations that have registered in a country as juristic persons are indeed juristic persons; those that have not are not juristic persons. Foreign economic organizations that are not juristic persons (they are of course not natural persons either) must be treated by us in the same way as partnerships that are not juristic persons. They can be principal parties on the foreign side in foreign economic legal relations. Some foreign laws have explicit provisions in this respect. For instance, Mexican law prescribes: "Foreign economic entities that are not juristic persons . . . may become foreign investors and invest in Mexico." With regard to foreign economic organizations, Chinese law does not mention whether they are juristic persons, but of course includes both types. It is permissible to have dealings with them, but prior investigation and understanding is necessary to avoid coming to grief.

B. Questions Concerning the Chinese Side in Foreign Economic Legal Relations

This is a rather complex question, with distinctive traits of Chinese socialism. According to strict legal provisions, there are only Chinese enterprises, corporations, and Chinese economic organizations. However, according to actual conditions, it is much more complicated, as the following analysis will show.

1. Government organs: The state is a juristic person of public law; it is represented by the central government and is of course a juristic person. However, can the governmental organs of a country be principal parties in economic legal relations and directly engage in economic and business activities? The legislation is different in various countries. It is denied in the Italian commercial code and admitted in the French commercial code. Japanese commercial law holds that commercial law applies to them, excepting specific provisions to the contrary. Anglo-American case law permits them, but will not allow them to enjoy the usual state immunities. Actually, there is no lack of precedents for states engaging in economic and business activities. Many of the newly established independent states act in this manner. For instance, the law of the Republic of Gabon prescribes that important foreign enterprises wishing to invest in Gabon "may conclude agreements with the government for the establishment of enterprises." As to socialist countries, because they practice socialist public ownership of the means of production, they frequently are the principal parties when concluding economic and trade agreements with other countries (the conclusion of this kind of state-to-state economic and trade agreements occurs also between nonsocialist countries, but is most widespread among socialist countries).

Since China instituted its open door policy, there has also been no lack of conomic cooperation contracts concluded by departments of the state government or local governments and their respective foreign enterprise departments. Further study is needed to determine what the benefits or disadvantages are and whether they are appropriate. On the theoretical and legal plane, the arrangement between the two parties is not reciprocal. Viewed from the standpoint of the central authorities and the fundamental spirit of reform of the economic system, there is the demand for a separation of government administrartion and enterprise management and the demand not to have government administration take the place of enterprise operations.

2. Juristic persons: According to stipulations in the economic contract law, the formation of a juristic person depends on four conditions: a certain organizational structre, independent property or budget, capability to transact business and assume economic responsibilities in its own name, and approval or registration by the agency designated by the state. Article 8 of the Provisional Regulations Governing State-Operated Industrial Enterprises, promulgated in April 1983, prescribes that state-operated industrial enterprises are juristic persons. The Central Committee's Resolution on the Reform of the Economic Structure, adopted by the 3d Plenum of the 12th CPC Central Committee on 20 October 1984, points out that enterprises should become juristic persons and emphatically refers in this respect to state-operated enterprises, including industrial, construction, communications, commercial and service enterprises. The general provisions of the State Council's Provisional Rules Concerning Certain Policy Questions in Connection with City and Town Collective Ownership Economy, promulgated on 14 April 1983, prescribe: "City and town units with collective ownership attain the status of juristic persons as soon as they obtain their business permits." Apart from the above-mentioned enterprises, all state agencies, industrial entities, and social organizations can attain the status of juristic persons merely by being approved by the agency designated by the state or by effecting their reghistration.

3. Economic organization that are not juristic persons: The resolution of the 3d Plenum of the 12th CPC Central Committee pointed out: "If we are to speedily develop all production and construction undertakings, and to achieve at an early date the nation's prosperity and strength and well-being and happiness for our people, we must mobilize all positive factors, and under the guidance of state policies and plans carry out a policy of all three--the state, the collective and the individuals--moving up together, firmly maintain the development of diverse economic forms and diverse business patterns, and on the foundation of independence and self-reliance, reconstruct through our own efforts equality with mutual benefit and mutual trust and energetically develop foreign economic cooperation and technological interchanges." According to this statement, China's economic organizations of non-juristic personality can, of course, also become one of the principal parties of foreign economic legal relations.

Owing to the development of individual industrial and commercial business units and specialized agricultural households in the huge rural and urban areas of the entire country, a large number of economic organizations has emerged which are not juristic persons and in their characteristics resemble partnerships. For instance, in the cooperative business organizations of urban workers (see State Council rules of 13 April 1983), funds or assets are put up by the members of the organization as their shares, but still remain private property of the individuals. Members receive distributions according to the work they have performed, and whatever remains after payments into the accumulation and welfare funds is available for the payment of profits on the shares. These cooperative business organizations of workers must apply for and be granted business permits by the local organ in administrative charge of industry and commerce. Then there are also cooperative commercial organizations, peasants in joint production purchasing motor-driven vehicles or boats and tractors and engaging in transportation, which also resemble partnerships in their special traits. In addition there are also short-term partnerships, temporary organizations to achieve a single task or conduct a single business operation, and single-project associations that are dissolved upon completion. There are also economic organizations for joint production and marketing, and so on.

To sum up, guided by the open door policy of the state, these types of economic organizations engaged in foreign economic cooperation may emerge in all special economic zones, open cities, and economic development zones, or the initiative for these types of economic organizations must still be awakened and they must be mobilized to engage in diverse forms of economic cooperation with foreign parties. Of course, this cooperation will be of an auxiliary nature and involve small amounts, such as importing small amounts of materials for processing, importing plans for processing, importing samples, and assembly, small-scale plantation and breeding operations for export, as well as such service operations as transportation, repairs and providing labor. These conditions are already to be found in the Shenzhen SEZ. In theoretical respects, we have to recognize that they are principal parties on the Chinese side in foreign economic legal relations.

4. The individual: According to the law, there are no individuals among the Chinese parties to foreign economic legal relations. However, in reality individual operators and individual business units exist in the cities and villages of the SEZ's, in the open cities, and in the economic development zones. As soon as their business activities involve foreign parties, they become one of the principal parties on the Chinese side in the foreign economic legal relations, either independent parties or as parts of joint parties on the Chinese side.

At the start of developments at the Shenzhen SEZ, some individual operators did their own planting and selling, moved back and forth between Shenzhen and Hong Kong and Macao, carrying fresh vegetables, aquatic products, flowers and plants on shoulder poles, starting early in the morning and returning in the evening. They possibly concluded short-term purchasing and sales contracts with Hong Kong and Macao merchants. Some people also engaged in small-scale service trades, trafficking and transpotation. Certain malpractices that sprung up with these activities (e.g. smuggling), still exist, although conditions have improved through readjustments and strengthening of controls. The law may have no provisions, but the problems exist in reality, and we may possibly analyze them under two aspects. On the one hand we must acknowledge their existence, and on the other we must appropriately assess their economic effects. On the one hand we must see the reality and on the other we must carry out a macroeconomic study based on the social system. As to the operations of individuals who rely on their own diligent work to build up a family fortune, the policy of having their legitimate income receive legal protection must be uniform for the interior of the country, for the SEZ's, open cities, and economic development zones. However, when it comes to economic relations with foreign parties, because of the extremely intensive competition on the international markets, and international capitalists being formidable opponents, if individuals engage in such activities there is considerable danger that we may also motivate them to establish contacts with state-operated enterprises or encourage them to engage in cooperative business operations that would be a kind of protection for the individual business operator. The developed capitalist countries have definitely adopted policies of encouraging their medium and small-sized enterprises to act jointly in facing foreign parties. We have even more reason to encourage our individual operators to have them join together. This is one reason why the law does not provide for individuals to be principal parties on the Chinese side in foreign economic legal relations. This illustrates the distinctive characteristics of Chinese socialism.

9808
CSO: 4006/76

LEGAL STATUS OF INDIVIDUAL ECONOMY IN FOREIGN TRADE

Beijing FAXUE ZAZHI [LEGAL RESEARCH] in Chinese 15 Aug 85 pp 20-21

[Article by Li Yong [2621 3144] and Chen Hongjun [7115 4767 6511]: "Tentative Exploration of the Legal Status of Individual Economy in Foreign Economic Relations"]

[Text] The Chinese working people's individual economy refers to a unique socioeconomic component within our socialist national economy at this stage; it refers to the individual workers who, under the guidance of the state plan, are direct owners of certain means of production, master certain work skills and, furthermore, arrange by themselves the entire process of their operations, also enjoying the right of disposing by themselves of the fruits of their labor. It is a necessary complement to the Chinese public ownership economy at the present stage. It is a pattern of economic activity, the conscious engagement in creative work, by which the individual workers in city and countryside render service to socialist construction. It is also the most active element in the market regulation within our planned economy.

Presently, following the comprehensive initiation and gradual deepening of the reform of China's economic structure on a nationwide scale, a large number of specialized agricultural households, individual households, and urban residents individually engaged in industry and commerce have emerged. They have by now become a positive force, with an abundance of vitality, that enlivens China's national economy. Especially in the last few years, the effect of the developing individual economy has become more conspicuous day by day. The number of persons engaged in it has increased, according to statistics, from 140,000 in 1978 to 7,548,000 in 1983, a 53.9-fold increase. In the period from 1979 to 1983, the number of network outlets of stores, catering services, and service trades increased by an additional 5,349,000, of which 4,742,000 were individual operators, accounting for 88.7 percent of the total number. Not only have their numbers increased, but the scope of their business has also achieved new breakthroughs. For instance, three peasants in Jixian County of Hebei Province raised funds and started a children's hospital to address the problem of inadequate medical facilities in their area. Special mention must also be made of a demobilized soldier who was assigned to work in the cultural bureau of Dalian Municipality. To provide facilities for the masses, he resigned his post, raised some money, and started his own photo booth, later enlarging it into a photocopying establishment and has by now formed the Dalian Guangying Industrial Co., quite sizable for a fledgling enterprise. To solve technical and equipment problems, the chairman of the board, Comrade Jiang Wei [1203 4850], an individual businessman, on 10 August 1984 signed a document of intent of cooperation with the Hong Kong Huayuan Investment Co., Ltd., by which the parties agreed that the Hong Kong firm would supply for use at Dalian capital and equipment for an expansion to color photography and electrostatic reprinting, while Comrade Jiang Wei undertook to provide a factory building and space. This activity received energetic support from the leading departments of the state and municipality and from all circles of society. The Guangying Industrial Co., moreover, planned to crash the international market and employ permanent representatives abroad to open agencies. However, the following problem arose due to the present formulation of the Chinese laws on foreign economic relations: Individual operators (called natural persons in the laws) cannot become principal parties in foreign economic legal relations and cannot engage in production and business operations on an international scale. How are we to assess this company's legal status? Could the pertinent provisions of the Law Governing Joint Ventures with Chinese and Foreign Investment, which has been promulgated for similar cases, be applied also to this case? As we hear, the said company has in actual practice met with a series of problems of economic law that urgently need solution. We can predict that following the further development of individual economy, similar cases will repeatedly occur. How to guarantee the individual economy and its development on the legal plane, and how to determine the status of individual economy in legal relations involving foreigners are research tasks of great urgency confronting China's legal circles. The aim of this article is to present some roughly conceived theoretical analyses and explorations, a kind of "casting a brick to attract jade," in hopes that everybody will participate in a joint study and exploration.

While the economic foundation determines the superstructure, a certain legal system is the organic component of the superstructure of society, which, in turn, has to serve a certain economic foundation. Since the 3d Plenum of the CPC Central Committee, there has been conspicuous development of individual economy on a nationwide scale, but not to the extent of engaging in foreign economic activities. Individual economy has therefore not been explicitly mentioned in the laws relating to foreign economic activities promulgated during the first stage. For instance, Article 1 of the Law Governing Joint Ventures with Chinese and Foreign Investment prescribes: "In order to expand international economic cooperation and technological exchange, the PRC permits foreign companies, enterprises, and other economic entities or individuals to conduct joint ventures within the territory of the PRC together with Chinese companies, enterprises, and other economic entities on the principle of equality and mutual benefit and subject to the approval of the Chinese government." This indicates that the parties on the Chinese side of the joint ventures are generally limited to Chinese companies, enterprises, and other economic entities. Among the "economic entities" mentioned here, we could include such enterprises, if properly registered with the government, that are operated by communes or production brigades, enterprises run by government agencies and organizations, scientific research departments of educational institutions, the collective enterprises of young intellectuals organizations, etc. However, not included are individuals or private enterprises. All other regulations, like those concerning joint ventures with Chinese and foreign investment, cooperative production, cooperative development, processing or assembly of imported materials, financial credits and loans, foreign exchange control, etc., have no bearing on the question of individual businessmen engaging in foreign economic activites.

However, according to the law that our national conditions and production relations must definitely be in accord with the nature of the productive forces, individual economy will exist and furthermore appropriately develop during a historical period of socialism of considerable length. It is therefore also necessary that the development of the economic foundation be followed by a continuous perfection and consolidation of the legal system which constitutes the superstructure. This conforms with the basic principles of Marxism.

The present PRC Constitution and the resolution of the Central Committee on the reform of the economic structure both substantially affirm the role of individual economy in the developmental system of the entire national economy. Article 11 of the Constitution reads: "The individual economy of urban and rural workers complements the socialist public ownership economy within the limits prescribed by law. The state protects the lawful rights and interests of individual economy." The CPC Central Committee Resolution on the Reform of the Economic System points out: "Since we are to speedily develop the various production and construction undertakings and quickly bring about the state's prosperity and strength and the people's well-being and happiness, we must mobilize all positive factors and, under the guidance of state plans and policies, carry out a policy whereby the state, the collective and the individual together take the road to common prosperity, and we must also persist in the development of diverse economic forms and diverse patterns of business operations. On the foundation of independence and self-determination, reconstruction through own strength, equality and mutual benefit and mutual trust, we shall energetically develop economic cooperation and technological exchanges with foreign countries."

In its Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC, the CPC Central Committee also clearly stated: "The state economy and the collective economy are the basic forms of the Chinese economy. The working people's individual economy within certain prescribed limits is a necessary complement to the public economy." From the spirit of the series of guidelines, policies and resolutions, we are able to gain the understanding that launching economic cooperation and technological exchanges with the outside world as well as raising our national economy to a higher level are our urgent tasks at the present stage, and that there are many ways and means to accomplish these tasks. To carry out a policy of having the state, the collective and the individual together take the road to common prosperity within the limits prescribed by law complies with the fundamental demands of economic development and the basic interests of the masses. By such reasoning we conclude that the Constitution and the Central Committee resolution provide a reliable policy support and legal guarantee for the individual economy to engage in foreign economic activities.

Today, our individual economy, using its own funds and investing jointly or cooperating with foreign capital, or engaging in other economic activities with foreign parties, has many advantages. First, it does not require state investment and thus saves the treasury funds. Second, in cooperating with a foreign firm in production and business operations, the individual businessman can learn from the advanced managerial experiences of his partner and import advanced technologies and equipment, also have a "pinning-down" effect on foreign merchants. Third, the state will also be able to strengthen its guidance and supervisory control by such economic levers as taxation, which will bring prosperity and strength to the nation. If we formulate today, based on the actual conditions of the economic development, legislation that will effectively protect the individual business operators in foreign economic activities, we believe we shall with certainty create a group of capable businessmen, highly proficient in economics and in dealing with foreign merchants.

Our legislative action may start out from the following aspects:

A. The Legal Meaning of the Individual Operator

The Central Committee should prescribe: no member of any party or government organ shall be permitted to engage in any kind of economic activity. Persons who are already serving as officials in state enterprises and industrial units or people's organizations, military personnel on active duty, and personnel in units of collective enterprises cannot as individual operators take part in foreign economic activities, because the personnel of state organs have the responsibility to implement state guidelines and policies, to manage the public affairs they are charged with as representatives of the state, and to efficiently perform administrative work, none of which is concerned with conducting business for profit. Will it then be possible for every one of our urban and rural individual households and specialized households to engage in foreign economic activities? We do not believe that this will be the case. Individual businessmen who may participate in foreign economic activites must have the following qualifications:

1. They must have an adequate financial foundation or a certain amount of means of production.

2. They must have a certain amount of experience in business management.

3. They must have a special skill for the masterful production of certain products, while requiring the importation of advanced technology or equipment. In actual practice, we will require gathering further experiences as to what is to constitute the suitability of an individual operator to engage in foreign economic activities, so that we would be able to draw up pertinent decrees, laws and regulations, based on a summary of all these experiences.

B. The Scope of Business Activities

According to the spirit of the Constitution, which states that individual economy is a complement to the socialist public ownership system, there have to be clear and definite legal limitations to the scope within which individual economy may engage in foreign economic activities. In addition, the actual trading ability and finances of the individual operator himself will impose limitations. It is therefore our opinion that the individual operator should generally not be permitted to engage in the following business operations, either as joint ventures or in cooperative enterprises with foreigners: material resources, such as water, minerals, electric power, fuel, motive power and railways, items which have a direct bearing on the lifelines of the national economy; also the banking, ordnance, and propaganda (newspapers and periodicals) sectors. The principle for an initial limitation of the scope of their activities must be the policy of "priority to be handicraft industry and service industry." These comprise: all kinds of small-scale handicraft industries, catering trade, service trades, repairs, house repairs, fashionable dress designing, aquatic breeding, processing of local and specialty products, small-scale transportation of freight and passengers, information and consulting services, and any other trades needed by the masses but not yet or not sufficiently taken care of by the state or collectives. In the beginning the scope may be determined in a somewhat narrow way, but may be gradually extended as needs warrant.

C. Tax Management

Taxation is the most effective economic lever by which the state can control and manage the foreign economic activities of individual operators. The following should be the principles for drawing up legal norms for the taxation of individuals engaged in foreign economic activities:

1. In principle, state interests must have priority, while consideration shall be given to the lawful rights and interests of the individual businessmen. This means imposing fairly high rates of taxation on the operations of individuals engaged in foreign economic activities, such taxes to include enterprise income tax, industrial and commercial tax, land tax, trade tax and individual income tax, all to be assesed according to the person's specific income. However, appropriate consideration must also be given to the business profits of the individual businessman.

2. The principle of encouragement by preferential treatment: Certain preferential treatment in taxation should be granted to individual operators who are able to produce commodities that can enter the international markets and earn foreign exchange for the state, to encourage establishing and developing such activities.

3. The principle of referral: Taxation of the foreign party working in cooperation with an individual businessman could be effected by referring to the provisions of the Law Governing Income Tax on Joint Venture Enterprises and its enforcement regulations, which are already in effect. Of course, the applicable taxes and tax rates must be further worked out in the course of actual practice.

D. Limits and Conditions for Examination and Approval

For greater efficiency in the utilization of foreign capital, in the importation of technologies, for faster economic development, and to comply with the intent of the Central Committee to have authority delegated, the right of examination and approval of individual operators for foreign economic activities should be granted to the pertinent economic and trade bureaus of the provinces, directly administered municipalities, and autonomous regions. In order to raise work efficiency, we believe the positive conditions for examination and approval should be:

1. Are advanced technologies and items of equipment used, is scientific management practiced, are high-quality products manufactured or is superior service rendered, and is there conservation of raw materials, other materials and of energy sources?

2. Are most products exported, providing the state with foreign exchange revenue?

3. Will operations alleviate unemployment, and will they provide opportunities to train technical personnel and business management personnel?

4. Will operations utilize conditions at the place of production to create brand names of high reputation for products that can enter the international markets?

5. Will production complement domestic production and serve to fill gaps in domestic services and technology?

However, the agency in charge of examination and approval may deny approval if operations would infringe upon Chinese sovereignty, violate Chinese law, disagree with the demands of developments in the Chinese national economy, create environmental pollution, and if the agreements and contracts contain obvious inequities, impairing the interests of the Chinese or foreign party. In brief, the state agency in charge of examination and approval can exercise jurisdiction by comprehensive guidance and supervision of production and business activities.

With the present rapid development of productive forces and of science and technology, and the close links in international economies and technologies, modernization cannot possibly be achieved by closing the country to international intercourse. The resolution of the Central Committee points out: "China's individual economy, which is now linked with the socialist public ownership system, is different from the individual economy that is linked with the capitalist private ownership system. China's individual economy plays an indispensable role in developing social production, improving the livelihood of the people, and expanding employment of manpower. It is a necessary and beneficial complement to socialist economy and an adjunct to socialist economy. Our attention must be presently directed toward removing all obstactles to development of urban and rural collective economy and individual economy; we must create favorable conditions for their development and provide legal protection." From the legislative angle, the formulation of legislation that would encourage China's individual businessmen to engage in foreign economic activities would certainly assist in accelerating China's modernization.

9808
CSO: 4006/76

APPLYING FOREIGN LAWS IN FOREIGN ECONOMIC CONTRACT DISPUTES

Shanghai FAXUE [JURISPRUDENCE] in Chinese Oct 85, pp 34-35

[Article by Zheng Wei [6774 0251] and Lin Yanping [2651 3601 5493]: "Questions of Applying Foreign Laws in Disputes Arising from Foreign Economic Contracts"]

[Text] The general provisions of the Foreign Economic Contract Law of the PRC reflect China's standpoint and principle in the matter of applying foreign laws in cases of commercial contracts involving foreigners. The essence of these rules is as follows.

First, confirmation of the principle that foreign laws can possibly be applied. Article 5, paragraph 1, of China's Foreign Economic Contract Law prescribes: "The parties to the contract may choose the law which shall be applicable in handling contract disputes. If the parties make no such choice, the law of the country having the closest relation to the contract shall apply." The possibility of different laws of two or more different countries or territories being involved in foreign economic contracts can easily lead to conflicts of law. It is therefore important to determine the decisive law for the contract in question. In private international law, the ability of parties to select the applicable law is called the "principle of the autonomy of the parties." Chinese law concerning foreign economic contracts apply this principle; the principle affords protection for the legitimate interests of the parties and at the same time promotes international economic intercourse, thus meeting the objective needs of China's economic intercourse with other countries, because this principle has also been accepted by most other countries. Carrying out the "principle of the autonomy of the parties" opens the way to the application of foreign laws. If the parties agree to select the law of the foreign party to the contract or the laws of any other country as applicable to their contract, that provides the possibility that foreign laws must be applied. Application of the principle of "closest relation to the contract" also provides a possibility that foreign law must be applied. For instance, if the elements most closely connected with the contract are all concentrated in a certain country, the laws of that country must be applied to that contract.

Moreover, China's Foreign Economic Contract Law prescribes that if the provisions of Chinese law conflict with any international treaty concluded by

China, and such treaty contains provisions relevant to the contract in question, preference must be given to the provisions of the said treaty; however, provisions on which the PRC has declared reservations shall be excepted. In the absence of relevant provisions under the laws of the PRC, international practice shall apply. These provisions clearly express China's respect for international practice in its international economic intercourse and faithful observance of its international treaties. China will also respect any provision that prescribes the application of foreign law in either an international treaty to which China is a party, or in an international practice recognized by China.

Second, the principle that the application of foreign law must not be harmful to the public interest of Chinese society. Article 4 of the mentioned law prescribes that conclusion of a foreign economic contract "must not be harmful to the public interest of PRC society." In private international law this is called "the principle of safeguarding public order," which means, if the application of foreign law in the case of a foreign economic contract would violate China's public order, China has the right to deny its application. Moreover, Chinese law precludes the application of foreign law and insists on the application of Chinese law for contracts of joint ventures with Chinese and foreign capital, contract for Chinese-foreign cooperative enterprises and contracts for Chinese-foreign cooperative exploration and exploitation of natural resources, which are to be performed in the PRC.

According to the provisions of China's Foreign Economic Contract Law, China's law courts may apply foreign laws in handling disputes arising from foreign economic contracts. However, there are no explicit provisions in the law as to whether foreign law must be applied in all of China's economic contracts involving foreigners, whether there are limitations to the free choice of the law by the parties and in what way the law courts will verify the foreign law they have to apply; these questions require here further exploration:

First, definitely not all foreign economic relations require the application of foreign law. Generally speaking, the following are foreign economic relations that do not call for the application of foreign law:

(1) Cases where the legal facts do not involve foreign law; for instance, if a foreigner buys some daily necessities in a Chinese retail store.

(2) Cases where the legal facts do involve foreign law, but where the validity of that foreign law is not recognized by Chinese law. The contracts specified in Article 5, paragraph 2, of China's Foreign Economic Contract Law fall into this category.

Second, on the limitations to the freedom of the parties to choose the applicable law. All legal scholars presently agree that there are limitations to the freedom of the parties to choose their applicable law. For instance, the countries of the continental legal system prescribe: the parties to a contract may not select a law that has no connection at all to the contract in question. Some countries, therefore, try to impose in the points of spatial linkages stricter limitations on the sphere of laws available to the parties as alternatives, for instance by limiting the choice of the parties to certain specific laws: the law of the place where the contract was concluded, the law of the place where the contract is to be fulfilled, etc. An even larger number of countries impose limitations depending upon the nature of the law, namely that the law chosen by the parties must only be norms of voluntary nature, all laws of compulsory nature could not be excluded by the "autonomous will" of the parties, otherwise it would be regarded as an evasion of the laws of the said country and the choice of the parties completely invalid.

Third, the interpretation of the term "law of the country with the closest relations to the contract," which is to apply in cases where no law had been designated by the parties. This writer believes that the determination of the applicable law must give comprehensive consideration to the place where the contract was signed, the place of fulfillment of the contract, the places of business of the parties and the objective pursued by the parties when signing the contract. It must not be decided merely based on the outward appearance of the contract. For instance, the language of the contract text must not be taken as "closest relation" and selection of the law of that country accordingly made; that would be unreasonable. For instance, the case of the "A-shen-ci-ao-na" [phonetic; Acuncion?] concerned a contract for the shipment of wheat from Dunkerque to Venice on an Italian ship. The parties did not designate any applicable law in their contract; the ship was chartered by a French company; the cargo was transacted in a French-Italian agreement and payment was to be made in Paris in Italian currency. The case concerned English, French and Italian laws. When a dispute arose in connection with the fulfillment of the contract and was brought to a court of law, the judges unanimously agreed that the relevant laws of Italy are the applicable laws for the contract because both parties had to fulfill their obligations from the contract in Italy. This was the key factor for the determination of the applicable law for this contract. The example of this case provides us with good material for the interpretation of the term "closest relation."

Fourth, the question of verifying the substance of the foreign law. When a dispute arising from a foreign economic contract has to be heard by a Chinese court of law, and it is determined that a foreign law applies to the case, how can the court establish the substance of the foreign law? In the practice of private international law, there are in general the following methods: (1) The parties themselves provide the verification; (2) the parties are in principle responsible to provide the evidence, but the judges may themselves also directly determine it; (3) relevant investigations are a responsibility of the judges; (4) investigation is in principle a responsibility of the judges, but the parties must also assist. On this question, this writer believes that from the standpoint of China's realities it would be most appropriate for China to adopt alternative (4), because it is the function of the court to determine how law is to be applied, so that investigation of foreign law should also be undertaken by the court. Of course, the two parties must have a certain understanding of the law which they chose as applicable to their contract, and it should be possible for them to furnish evidence in this respect. This would be very helpful to the court in ascertaining the substance of foreign law. If is it in no way possible to ascertain the substance of the foreign law, the court may, in consideration of the specific circumstances of the case, apply Chinese law. This would contribute to quick resolution of the dispute.

9808
CSO: 4006/76

NINGBO PUTS HARBOR DEVELOPMENT HIGH ON AGENDA

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 26 Dec 85 p 3

[Article: "Lu Xuzhang Proposes Development of Ningbo Harbor To Promote Industries, Trade and Tourism"]

[Text] According to an "Economic Reference" report, Lu Xuchang [4151 4872 4545], adviser of the Ministry of Foreign Economic Relations and Trade and former director of the China Travel and Tourism Bureau, has recently come forward with the strategic plan of using the Ningbo harbor to promote industries, trade, and tourism for the economic development of the city and of establishing Ningbo as a port for the East China region and an economic and trade center of Zhejiang Province.

The proposal was made by Lu Xuzhang to construct without delay several pontoons for the berthing of 50,000-ton to 300,000-ton freighters inside the Beilun harbor and to develop cargo-transfer operations to facilitate the shipment of cargoes across the ocean. He also proposed the establishment of a lighter transportation company for the leasing or purchasing of a number of ocean-going and river boats which can travel directly from Beilun harbor to unload their cargoes at Wuhan, Jiujiang, and Chongqing and carry export commodities from those ports back to Beilun harbor where they can be assembled for shipment to Europe and North and Latin America so that Beilun can truly perform its function as a deepwater harbor. To facilitate the drawing up of an overall plan and a layout for Beilun harbor, the water areas in the harbor and around Zhoushan Qundao should be treated as one harbor area.

Lu Xuzhang pointed out that in order to build up a harbor-type industrial system, such industries as steel, iron, electricity and shipbuilding should be developed in the Beilun harbor area, that petrochemicals and textiles should be developed in the Zhenhai area and that such existing enterprises as machinery, electronics, textiles, food and the light industries in the old city area should be further renovated. Of special importance is the construction of the Beilun Steel Plant capable of producing 3 million tons of steel annually, as it would reduce the import of steel and ensure a steady supply of the product.

Lu Xuzhang expressed the opinion that Ningbo has abundant tourist resources and that the development of the harbor and the means of communication would help to promote the tourist industry. He suggested that Putuo Temple, Tiantong Temple and Ayushan Temple should be linked up, that Dongqian Lake should be gradually developed and that these scenic areas should be linked up with such scenic areas as Zhaobaoshan in Zhenhai and Qikou in Fenghua in a systematic manner.

9621/7687
CSO: 4006/589

BRIEFS

INTERNATIONAL ECONOMIC COOPERATION MEETING--The first annual meeting of the Chinese International Economic Cooperation Society, which opened in Wuhan on 28 October, came to a close today. There were three major topics for discussion: economic cooperation in the Asian and Pacific region; the development and proper operation of joint enterprises; and the reform of the system for the administration of projects of international economic cooperation. A congratulatory message was sent to the meeting by Chen Muhua [7115 1970 5478], honorary president of the society. Forty-nine dissertations were presented at the meeting. Representatives came from 15 provinces and cities throughout the nation. The participants, most of whom were experts in their fields or professors, were most enthusiastic in delving into problems in a candid manner and in presenting their valuable opinions both theoretically and on the basis of actual facts. In his address to the meeting, Liu Zeqing [0491 3419 3237], deputy mayor, expressed the opinion that the meeting would greatly promote economic and technical cooperation between the city and foreign countries. [Text] [Wuhan CHANGJIANG RIBAO in Chinese 3 Nov 85 p 1] 9621/7687

INTEREST IN JIANGSU TEXTILES--The USSR and Eastern Europe are traditional markets for textile exports from Jiangsu Province. People in those countries have shown avid interest in the products of Jiangsu. In October 1984, when shirts, children's clothing, and bedsheets made in Jiangsu were put on sale at the largest state-operated department store in Moscow, long lines of customers stood in the cold before its door was opened. When a small trade mission from Jiangsu brought samples of jacquard and printed and ornamental textiles to the USSR in 1984, the trade department was so taken with the products that it placed an order for 2 million meters of the textiles on the spot. Later, it placed a further order for at least 5 million meters with the main textile import and export company in 1986. Corduroy products made in Jiangsu are hot-selling items in the East European countries. Because of its reliable quality and the richness and softness of its nap, the Hungarian Government has shown special interest in corduroy from Jiangsu. Great interest has also been shown by Romania in satin and poplin textiles from the province. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Jan 86 p 3] 9621/7687

EXPORT OF DRESSES--According to the department concerned, China will have produced 1.2 billion pieces of readymade clothes earning over $1.2 billion in exports by the end of the year. It is also estimated that China will be able to produce over 2 billion pieces of readymade clothes and that the amount

of annual per capita consumption will have doubled by 1990. In an interview with a reporter of the XINHUA News Service some days ago, Yu Zongyao [0060 1350 1031], general manager of the China Dressmaking Co, said that there were within the light industry system in our nation 8,000 dressmaking enterprises, over 1 million staff workers and 600,000 pieces of equipment of various kinds and that the production value in 1984 came to 10.5 billion yuan, or twice the amount of 5 billion yuan in 1978. In addition to serving the domestic market, dresses are also exported to over 100 countries and regions. Commenting on the importation of technologies, Yu Zongyao stated that China had imported 120,000 pieces of equipment from abroad, or one-fifth of all the equipment imported during the last 5 years, and that the dressmaking capability of the nation had been greatly increased. At the same time, China had also invited dress designers from France and Japan to give lectures and to help improve the standard of dress designs in China. In August of this year, China participated for the first time in the International Dressmaking Exposition in Paris where our exhibits won high praise and generated great interest among international dressmaking circles. Yu Zongyao expressed the view that, in the next 5 years, domestic consumers will be spending more and more money on clothes and that there will be a demand for clothes that are diversified, that reflect the national character, and that are of high or medium quality. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 26 Dec 85 p 1]
9621/7687

CSO: 4006/589

CENTRAL GOVERNMENT STEPS IN TO RESCUE SHENZHEN SEZ

Hong Kong CHIU SHIH NIEN TAI [THE NINETIES] in Chinese 1 Dec 85 pp 58-59

[Article by Shi Hua [2457 5478]: "The Central Government Goes South To Rescue the Shenzhen SEZ"]

[Text] There was a time when Shenzhen was swamped with people and bustling with activity. The number of visitors from Hong Kong and the inland areas has now been greatly reduced. To save Shenzhen and promote its outward development, central government authorities met in Shenzhen and came forward with a program to even things up in order to save the SEZ.

According to various reports, a program had been drawn up at a high-level meeting in Shenzhen which ended on November for the outward development of the SEZ by moving factories engaged in the export trade mostly based in Beijing as well as their technicians, management personnel, major equipment, and the varieties and brands of products in demand in the foreign market and export clients to Shenzhen, and for taking advantage of the favorable conditions of the SEZ to engage in export trade to earn foreign exchange. Thus, it will be possible for Shenzhen to develop outward in accordance with the original plan of the central government to make it special zone for earning foreign exchange from the export of mostly industrial products.

New Proposal Is Not a "Stopgap" Measure Detrimental to Long-Term Interests

This proposal may seem to be a "stopgap" measure detrimental to long-term interests or even be said to be similar to the method of planting rice stalks from other fields in one plot of land to create "a mu of land capable of producing 10,000 jin of rice" adopted at the time of the Great Leap Forward movement. The reason is that the factories originally in Beijing are already engaged in exports to earn foreign exchange so that no increase is made in the amount of exports and foreign exchange earnings by moving them to Shenzhen. All that it amounts to is to change the venue for the export of products and the earning of foreign exchange.

However, the group in Beijing favoring reforms have their reasons to justify their proposal. First, the moving of factories engaged mainly in exports in Beijing to Shenzhen would facilitate the assimilation of advanced scientific, technological and management experiences of the capitalist countries, the catching on to foreign market reactions, and the improvement of the quality of products to meet foreign market demands, since the conditions and prospects for export and the earning of foreign exchange in Shenzhen are better then those in Beijing. Second, most of the workers and some of the equipment in the original factories can stay in Beijing to engage in production mainly for the domestic market so that the factories originally in Beijing and those which have moved to Shenzhen have ample opportunity for development through introducing from aboard and cooperating with the interior with departments at a various levels to improve the quality of products to meet the large demand in the domestic market. To give the factories which have moved to Shenzhen greater opportunity for the import of advanced technologies and development, it was proposed that the foreign exchange earnings retained by the factories should be increased from the original 10 percent to 70 percent after their removal to the SEZ.

A "meeting for the development of export-oriented industries in the Shenzhen SEZ" was reported by the XINHUA News Agency on 11 November. Participating in the meeting were representatives of 18 departments and units of the Ministry of Machine-Building Industry, the Ministry of Ordnance Industry,the Ministry of Aeronautics and the Ministry of Astronautics. That it was a high-level meeting was attested to by the fact that addresses were delivered by Zhou Jiannan [0719 1696 0589], advisor of the financial and economic leadership group of the central government and He Chunlin [0149 2797 7207], chief of the Special Zone Office of the State Council.

The same report pointed out that "the proper administration of the SEZ is not merely the responsibility of a province and especially not that of the locality where the SEZ is located but that the SEZ should be placed under the jurisdiction of the state calling for the attention and support of all the trades and businesses of the nation and their efforts to improve its administration." That goes to show that the Shenzhen SEZ, instead of being a matter of "concern" to Guangdong Province alone, has been placed under the jurisdication of the central government. The specific proposal mentioned above must be given expression to by the "concern" and "support" of the entire nation and the various provinces. Another implication of what was said in the report in connection with the proposal mentioned above is the need to prevail upon the factories mainly engaged in export production in Beijing (and other localities throughout the nation) to forego their departmental selfishness and resentment against Shenzhen for taking away their best and to regard the SEZ as "an SEZ of the entire nation" from the point of view of the entire situation.

That is the ingenious plan devised by the authorities in Beijing who are reluctant to abandon the Shenzhen SEZ and to see its rapid decline following "the loss of its special measure put forward by the 18 departments of the central government and working groups following several months of investigation and study in Shenzhen and after they had, so to speak, "dissected the sparrow" in shaping the latest economic trend in the SEZ.

The New Proposal Is Meant To Avert the Decline of the SEZ

Anybody who has recently visited Shenzhen on a working day can find that the situation in Shenzhen has undergone a vast change. A year ago, Shenzhen was swamped with people and bustling with activities. The taxis and minbuses in front of the railway station were doing nonstop business and the city presented a scene of prosperity. Today, except on holidays when tourists from Hong Kong continue to visit the vacation village, long lines of taxis waiting for passengers may be seen lining up all the way to "Chuanlong Bridge" (about halfway between the railway station and the center of Shenzhen). Now, the city seems deserted with few visitors from Hong Kong and the inland areas. Business done by the restaurants, eating places, departement stores and the service trades has shown a sharp decline.

First, Shenzhen was in the past a paradise where people from the inland areas came to purchase imported goods (Hainan Island merely emulated what was being done in Shenzhen and even surpassed it for a short period of time) and a special region for organizing export commodities from the various provinces and for retaining a large amount of foreign exchange earnings. Now, the system is issuing import and export permits has been adopted by the foreign trade departments of the central government and approval has to be given before taxes (such as the industrial and commercial adjusted taxes for imports), the ban put on speculative trading in foreign exchange and the withdrawal of privileges granted Shenzhen by the special policy have led to a slump in both buying and selling.

Second, Shenzhen used to have a considerable degree of autonomy in import and export operations. Even for a special commodities the import of which was under the control of the central government (such as automobiles), special consideration was given to Shenzhen and approval was granted with relative ease. The trade units in Shenzhen used to sell their import commodities to the inland areas at higher prices. That was what accounted for the affluence of Shenzhen during the past few years. Now that the central government has imposed strict control over the use of foreign exchange and the granting of approval and reduced the autonomous powers of Shenzhen in import and export operations, business has naturally taken in big plunge.

Third, with the surfacing of various abuses following the mad rush to bring in imports, the central discipline inspection commission has sent representatives to Shenzhen to ferret out economic crimes, to check up on accounts and to take action against tax evasions and delinquencies. Qu Hua [2575 5478], spokesman of the Shenzhen City government, said, "During the all-out financial and economic inspection of the state and collective enterprises now underway, preliminary estimates of tax evasion and delinquencies of the enterprises alone have exceeded 80 million RMB, while tax delinquences of individual enterprises have amount to 30 million RMB." Furthermore, the Guangdong Provincial Industrial and Commercial Administration Bureau has established an office to check up on registrations and the various companies are required to renew their registrations. Those companies whose registrations have been approved are required to have the stipulated amount of funds, the number of personnel, an adequate site, and the stipulated number of clients. The minimum amount of funds has been set at 5 million RMB.

Following the reduction of autonomous powers, there are not only six companies in Shenzhen empowered to engage in both imports and exports. The rest are allowed to engage in either import or export operations. There are also companies which have been deprived of their autonomous powers in both imports and exports. For example, the Shenzhen Realy Co; which used to be much in the limelight, has now been given autonomous powers to import only construction materials for its own use and not to be sold to other units.

With the reduction of autonomous powers, the checking up of operations and the tightening of control, many companies have lost their business. The 10 companies set up in Shenzhen sometime ago by the children and relatives of high-level cadres of the central government have either been closed, required to account for their involvement in economic crimes, or compelled to find some way to operate in Hong Kong.

The reduction of credit loans throughout the nation has also put a crimp on Shenzhen so that capital construction projects are in a state of decline. That being the case, the various localities have no money to make purchases in Shenzhen and the SEZ itself has been forced to abandon many construction projects.

Fifth, the large-scale antipornography campaign in Shenzhen has put an end to the liberal ideology, the cultural activities and the dynamic atmosphere typical of Hong Kong. In the past, several units, whether or not they belonged to the cultural system, used to vie with each other in making profits by showing videotapes. Now, all the cultural units are required to apply for permits and to reregister before they can do so, while units not belonging to the cultural system are forbidden to engage in such operations. All pornographic videotapes and publications in the possession of private individuals are required to be turned over to the authorities within a fixed period. Individuals failing to make an honest report to the authorities after having watched videotapes but who have been reported by other people are subject to being sentenced to "15 days of administrative detention."

Finally, aside from the loss of its acrobatic skills by Shenzhen and the depression which has set in, the opening up of a number of outlets in other provinces and cities has made it possible for businessmen from Hong Kong to bypass Shenzhen and to proceed directly to various areas to engage in buying and selling. Thus, the economic functions performed by Shenzhen in the implementation of the open door policy have been further reduced.

New Proposal and the Movement of Northerners to the South

If the central government continues the policy for the SEZ of reducing its autonomy and the transfusion of blood (that is, reducing state investment in capital construction and the amount of loans), restricting the sale of products processed in Shenzhen to the inland areas, enforcing the system of issuing imports and export permits, forbidding the resale of supplies imported autonomously by Shenzhen to the inland areas, and strenghtening the inspection and control over the enterprises and companies in Shenzhen, then Shenzhen will be deprived of its special privileges and the decline of the SEZ will become inevitable.

The parties favoring reform, however, are not likely to allow Shenzhen to go downhill. Deng Xiaoping, who first proposed the setting up of the Shenzhen SEZ, had, after all, given his word that "unless a good job is done in the SEZ, I will not close my eyes when I die." What is more, a great deal of propaganda work had been done about making Shenzhen a prototype and a miracle created by China in the 1980's and many international figures of note had made visits to the SEZ. If Shenzhen should be allowed to slide into a moribund state, not only would the parties favoring reform suffer a loss of prestige domestically, but the image created by the open door policy would also be dealt a severe blow.

It is under such circumstances that the parties favoring reform have made the proper administration of the SEZ "a task for the entire nation."

How should we go about doing a creditable job in the Shenzhen SEZ? The only way to make blood transfusions by the state unnecessary and prevent the SEZ from depending on the inland areas for the major part of its profits is to make Shenzhen an SEZ for the export of industrial products, the earning of foreign exchange, and the import of advanced technologies and administrative methods in accordance with the original idea of those in leadership positions in China.

However, in view of the adoption of protectionist policies by one Western nation after another, with the weakness of Shenzhen's technical capabilities and natural resources and the low quality of its labor, it is almost impossible to turn Shenzhen into an SEZ for engaging in exports, the earning of foreign exchange, and the import of advanced technologies in the foreseeable future.

It was in 1983 that Shenzhen set up a company in Hong Kong for importing second-hand industrial equipment for the purpose of turning it is not an industrial city. The result, however, fell short of expectations. On top of that, the open door policy has gradually been adopted by coastal cities in recent years and Shenzhen is no match for Shanghai and Tianjin insofar as its capability for absorbing and assimilating advanced technolgies, the quality of its labor, and abundance of natural resources are concerned. Under such intensive competition, there is no way for Shenzhen to meet the original expectations of those in leadership positions in China if it were to be developed in a normal manner.

It was for this reason that the proposal was made at the meeting of the 18 departments of the central government held in Shenzhen to move some enterprises and factories to the SEZ.

It is believed that it will take a considerable period of time to put this proposal into practice. The propcsal itself, nevertheless, reflects the personnel changes which have taken place in the SEZ. The circle in power in Guangdong Province as represented by Liang Xiang [2733 3276] has gradually been replace by the circle in power in the central government as represented by Li Hao [2621 3493], former deputy secretary general of the State Council.

Qu Hua, spokesman of the Shenzhen City Government, said on 14 November, "Several economic experts of the State Council have now arrived in Shenzhen. Following a period of investigation and study, proposals will be made for the industrial development of the Shenzhen SEZ with special emphasis on the development of export-oriented industries. Gu Mu [6253 3668], member of the State Council, will also arrive at the end of the year to inspect the work being done in Shenzhen.

What was said by Qu Hua has left no doubt that Shenzhen is no longer under the sole jurisdiction of Guangdong Province but that the central government has stepped in and taken over the development of Shenzhen in the direction set by the central government by moving a large number of factories and enterprises to the SEZ.

9621/13068
CSO: 4006/607

CHINA'S CADRES RECEIVE NEW PAY FOLLOWING WAGE REFORM

Hong Kong MING PAO in Chinese 18 Jan 86 p 5

[Special dispatch from Beijing by Chao Lin [2600 2651]: "Cadres Receive New Pay Following Two-Step Wage Reform; Next Step Will Be Another Pay Increase According to Job Description"]

[Text] Since the call was uttered during the second half of 1985, China's wage reform has finally gone from the state of discussion into that of concrete action. More than 10 million cadres and workers and staff members of government organizations and enterprises throughout the country are beginning to receive new pay brought about by the first step of the reform.

It is learned that government organizations and enterprises throughout the country will carry out the second step of the reform in 1986 which will enable specialized personnel to receive a wage that is corresponding to their job based on the technical duties each of them has to perform after the system of hiring through appointment with special job titles was universally implemented. The so-called system of hiring through appointment means hiring selectively the best qualified personnel needed within the authorized table of organization, however, the persons who are so hired do not enjoy lifelong tenure. This practice will thoroughly smash the egalitarian situation of "eating from the same big pot" and "marching in same steps" that has existed in distribution for a long time.

Under the current reform, the government organizations and enterprises have implemented a structural wage system which is based mainly on wages paid according to job duties whereas industrial and mining enterprises use the method of adding bonuses to basic wages in close relation to economic results.

Because of state financial difficulties, the wage reform of government organizations and enterprises is to be divided into two steps. The first step is to initially put the new wage on the right course; the second step is to find a complete solution to the issue of discrepancies between labor and renumeration. As a result of the implementation of the first step of the reform, cadres and workers and staff members of government organizations and enterprises are receiving increased wages varying in degrees, especially teachers and faculty members of primary and middle schools whose wages have increased considerably.

However, the existing wage standards are not at all reasonable and caused numerous problems when the first step of the reform was taken. This is particularly true for middle-aged intellectuals whose wages are low to begin with. At the time the first step of the reform was implemented, an excessively wide gap in wages among people of the same age existed. This was due to their low basic wages and also for various reasons some people had missed the opportunity to have their job classification readjusted in the past. It is reported that even after the first step of the reform, the wages of 80,000 middle-aged intellectuals who graduated from universities before 1966 are still found to be extremely low.

It is learned that while taken the second step of the reform in 1986, the state will allocate special funds to solve the issue of low wages facing the middle-aged intellectuals working in higher education, scientific research, and medical and health units. It is expected that special funds will be allocated as usual during the Seventh 5-Year Plan period to significantly improve this situation.

12662/12828
CSO: 4006/676

SOLUTION TO PROBLEM OF WORKER OUTFLOW

Beijing GONGREN RIBAO in Chinese 8 Nov 85 p 3

/Article by Su Guomin /5685 0948 2404/: "Properly Solve the Problem of Worker Outflow"/

/Text/ As the restructuring of the urban economic system progresses in depth, a problem--the outflow of workers and staff members--has cropped up in numerous enterprises that merits our attention and requires us to look into it. In preventing workers and staff members from going from place to place freely, some enterprises have indiscriminately set forth rules and regulations, or refused to issue any certifications or grant transfers; or asked workers and staff members on normal transfer or units accepting them for money in an amount as little as several hundred yuan and as much as 10,000 yuan. This writer is of the opinion that conditions triggering the outflow of workers and staff members are many and varied and there are advantages and disadvantages to its consequences. We should make a specific analysis of the situation in actual work and energetically support the rational flow of workers and staff members by giving it the "green light." In the meantime, we should also give more guidance in controlling the irrational flow and make every effort to turn negative factors into positive ones. We must avoid by all means giving the "red light" indiscriminately. To properly solve the problem of outflow of workers and staff members at present, besides readjusting the pertinent policies, another important step is to strengthen ideological and political work.

1. We must make the necessary policy readjustment. For labor-intensive enterprises with high economic results (such as the textile industry) and professions and trades under tough working conditions (such as road maintenance crews), wages, bonuses, and labor protection and welfare privileges should be adequately raised to be basically commensurate with their labor remuneration.

2. We should put forth practical and feasible methods and measures to counter the lack of cohesiveness and centripetal force in enterprises, perfect a wide range of rules and regulations and strive to invigorate enterprises and raise economic results. Workers and staff members who

sense the tremendous vitality of their own enterprise would have pride in their worth and have a sense of honor and pride to be a part of the enterprise. Enterprises in the meantime should adopt all kinds of measures to discover qualified personnel and put them in important positions so as to give full play to the enthusiasm for production and the sense of revolutionary responsibility of workers and staff members. Only when workers and staff members truly sense their role as masters in the enterprise can they put their spirit as masters into full play in production. The outflow phenomenon will not occur when workers and staff members tie their destiny closely to that of the enterprise.

3. We should strengthen education on ideals and discipline. According to statistics, young workers and staff members account for most of the outflow. Aside from those on rational flow, some of these outflowing young workers want to experience "self" struggle, others aspire to reach beyond their grasp, and some do not want to be restrained by factory discipline. Enterprises must intensify education on ideals and discipline in the light of realities and guide young workers and staff members to link realistic lofty communist ideals with their own realistic personal aspirations and link the goal of invigorating enterprises with their love of their own work. Young workers and staff members must be made to truly understand that lofty communist goals are not something visionary but something that can be achieved by working earnestly and in a down-to-earth way. Life can be meaningful only when lofty communist ideals has fostered and only when we have a target and go for it.

4. We should carry out ideological and political work realistically, solve specific problems for workers and staff members in a practical manner and be bosom friends of workers and staff members. Men have feelings. Ideological and political work deals with human beings, without "feelings" the work cannot touch people's hearts. Therefore we must first inspire them with feeling before we enlighten them with reasoning. Some workers and staff members have to move away to other places because of actual hardships, such as working too far away from home, or having housing problems, or poor health precluding them from work, or their sons and daughters having trouble getting into nurseries or schools, or the ratio imbalance between male and female workers in enterprises making it impossible for adult workers to find a partner in marriage.... Enterprises must think about the workers and staff members considerately and do what they can to create conditions to help workers and staff members remove worries and solve problems. Workers and staff members should be given clear explanations as to why some problems cannot be solved definitely overnight in order to make them understand the cardinal principles of doing the right thing.

What should be pointed out is that some people have complained that ideological and political workers in enterprises are emptyhanded, having neither power nor getting benefits, they are incapable of action and cannot help workers and staff members in difficulties except to show understanding and sympathy. While such remarks seem to contain some truth at first hearing, they are untenable upon careful analysis. First, we should never rely on the propaganda departments to do idealogical and political work, everyone should do it, especially factory managers. Second, a man who is emptyhanded, having neither power nor getting benefits, can carry out ideological and political work just as well. So long as a person can set an example by being the first among workers and staff members to bear hardships and the last among them to enjoy comforts, and daringly to resist unhealthy tendencies, he can do ideological and political work most effectively.

12662/12276
CSO: 4006/548

LABOR AND WAGES

JIANGSU REPORTS HIGH EMPLOYMENT RATE IN PAST 5 YEARS

Nanjing XINHUA RIBAO in Chinese 30 Dec 85 p 1

[Article by Cai Mingde [5591 2494 1795]: "Jiangsu Province Gives Jobs to 830,000 People During the Sixth 5-Year Plan Period by Opening Up All Avenues with the Party and the Government Working in Concerted Efforts Together with Other Quarters"]

[Text] Jiangsu Province has placed 837,000 people in cities and towns waiting for employment during the Sixth 5-Year Plan period. In Changzhou, Nantong, Wuxi, and Suzhou cities and some counties, most of the middle school graduates were able to get jobs in the same year and arrangements had been basically completed for people waiting for jobs in cities and towns throughout the province whose number had grown over the years. This was the result of the concerted efforts made by the CPC committees and the governments at all levels together with other quarters in opening up all avenues to employment.

Various localities increased employment opportunities by developing production and construction. Numerous state-owned and collective enterprises had expanded the variety of products and increased the quantity of marketable products as well as new services in order to satisfy the needs in society. They recruited 607,800 workers in 5 years hiring 71 percent of the total number of people waiting for jobs in cities and towns throughout the province and brought up labor productivity significantly.

Various localities have also opened up employment opportunities by energetically developing tertiary industry. Starting from solving hardships encountered by people who were having trouble getting clothing made, getting a haircut, finding a place to eat a snack, repair old items, and a place to stay on a trip, they set up commercial establishments, catering trade, and other service trades. According to incomplete statistics, the number of various types of networks and outlets showed a more than 6 fold increase and the number of people employed an 18-fold increase over 1980.

The labor service companies set up in recent years have also opened up a vast arean for labor employment. At present, Jiangsu has more than 1,500 labor service companies of various types providing jobs for more than 97,000 people. They have provided excellent services to society in addition to delivering more than 100 million yuan in tax for profit to the state each year.

With more people employed, the family income of the people in the province also improved correspondingly together with their living standard to some extent. At present, the employment rate in Jiangsu's cities and towns has reached 99 percent. According to a sampling investigation among families of city and town residents, the number of people to be supported by each laborer (including the laborer himself) has dropped from 1.82 persons in 1980 to 1.67 persons this year.

12662/12828
CSO: 4006/676

NEW EMPLOYMENT SITUATION IN BEIJING

Beijing JINGJI RIBAO in Chinese 10 Dec 85 p 2

/Article by Zhong Yi /0112 5030/: "Further Changes in Beijing's Labor Force"/

/Text/ During the Sixth 5-Year Plan period, various industries in Beijing Municipality have developed rapidly and proportionately in the course of readjustment, thereby bringing about further changes in the situation of employment. From 1981 to 1985, an average of 130,000 people were hired annually, about 650,000 people were hired in 5 years. The urban unemployment rate in Beijing at present has dropped below 1 percent thus basically solving the problem of employment difficulties. With the increase in the number of people employed, the demand of the people waiting for employment to choose an ideal job has become increasingly evident, thus, some of the poorly paid service trades are having "difficulties in recruiting workers." This is a new problem in employment.

By 1985, 5.6 million people were employed in Beijing as a whole, creating 45.5 billion yuan in output value. Judging from the labor effect in terms of total output value, the average annual growth rate during the Sixth 5-Year Plan period came to 10.5 percent, surpassing the average annual growth of 2.9 percent of the work force in general, an indication of the rise in labor productivity in society.

For 5 years, in keeping with the spirit of the four-point directive of the Secretariat of the CPC Central Committee on the construction of the national capital, Beijing Municipality has steadily readjusted the production setup in reforming the urban economic system, shifted the rural labor force toward the rural township industries on a large scale, made significant readjustment of urban light and heavy industries by vigorously developing the tertiary industry in particular, and developed the collective economy and individual economy to serve the cities. As a result, changes have taken place in the employment mix. The number of people employed in various trades between 1980 and 1985 are as follows: the number of people employed in primary industry dropped from 27.1 to 19.6 percent; secondary industry rose, up from 42.2 to 44.5 percent; tertiary industry, a jump from 30.7 to 35.9 percent. The output value of Beijing's tertiary industry now accounts for one-third of the GNP. Business outlets of commerce service trades, and catering trade have developed rapidly in recent years, and hardships in several areas experienced by the people in daily life have begun to ease off somewhat. Beijing's tourist business is earning $280 million in foreign exchange annually, which is equal to one-half of the amount of foreign exchange earned by Beijing in exporting foreign trade commodities. The tourist business has become a trade to be developed in high priority from now on.

As a result of the daily decrease in the number of people waiting for employment and the growing number of hiring units, Beijing Municipality has started a labor reserve system to give the young labor force pre-employment labor training. More than 3,000 pre-employment training class sessions of various categories were sponsored during a 3-year period, giving vocational training to more than 200,000 youths. Beijing has introduced the labor contract system among the more than 100,000 newly employed people thereby smashing the "iron rice bowls" that existed in the employment system for a long time over several decades. This has also stimulated the enthusiasm for labor among those employed and inspired workers to diligently study professional skills and general knowledge. This is the outcome of an important reform in the hiring system.

12662/12276
CSO: 4006/548

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

TRADE PROTECTIONISM UNDERMINING GENERAL SYSTEM OF PREFERENCES

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 6 (Nov-Dec) 85 pp 62-65

[Article by Yuan Yongyou [5913 3057 0645]: "The General System of Preferences, While still Useful, Is Being Weakened"]

[Text] The general system of preferences [GSP] has traditionally been regarded as the hallmark of postwar trade liberalization. Beginning in 1971, after a prolonged struggle by developing nations, developed nations successively offered preferential access in the form of tariff reduction or exemption to the manufactured and semi-manufactured products of the vast number of developing countries and regions. In reality, however, in the wake of rising protectionism in the West, the basic functions of the GSP are being drastically whittled down. As the developed nations beat a retreat on the tariff front, the legitimate rights and interests of developing nations have come under continuous attack. This article explores the changes taking place in the GSP, examining their characteristics and causes.

I

The GSP was adopted at the second meeting of the United Nations Conference on Trade and Development [UNCTAD] in 1968. Noted for its three basic throngs--the preferences are generalized, non-discriminatory and non-reciprocal--it primarily seeks to increase the export earnings of developing nations, promote their industrialization and speed up their economic growth. The GSP reflects the interests and demands of those nations and has profound significance for combating the old international economic order characterized by exploitation and predation and for changing the unfavorable position in which developing nations find themselves in international trade. Herein lies the reason why the enforcement of the GSP inevitably becomes a struggle between the forces trying to limit it and those which oppose such an effort. This struggle unavoidably manifests itself in the preferential trade policies of developed nations and assumes different incarnations under different historical conditions. In its more extreme forms, it can be either free trade or protectionism.

Free trade means that developed nations make substantial concessions in import tariff matters in the face of the determined struggle by developing nations.

Tariffs on items covered by the GSP may be further lowered on the basis of most-favored-nation rates. Moreover, beneficiary developing nations and regions are not required to provide "reciprocal preference" to developed nations. In this way, the products of developing nations, rendered more competitive by tariff exemption or reduction, can gain ready access to the markets of developed nations. Not only does the GSP differ intrinsically from special preferential tariff systems in the past which worked more to the advantage of benefactor nations, but it is also a significant improvement upon the preferential tariff system of the British Commonwealth, which is based on reciprocity, the "Yaounde Convention" and the "Arusha Convention." It helps the developing nations' struggle against trade discrimination and trade barriers and strengthens their position in international trade. After it went into effect, the GSP has indeed played a positive role. Take the European Economic Community [EEC], for instance. In the 5 years since the GSP was implemented, the average annual growth rate of imports from developing nations increased more than 100 percent compared to the average annual rate for the 5 years before it went into force, and exceeded the growth rates of imports from the world in general and from developed nations. By 1976, a total of 19 developed nations (excluding the Soviet Union and Eastern Europe) had instituted the GSP, benefiting 170 developing nations and regions. In this sense, the GSP has enriched the substance of postwar trade liberalization policies.

But developed nations have never granted preferential tariffs unconditionally, as demonstrated vividly by the safeguard provisions in their policies. Escape clauses or safeguard provisions in the GSP provide that if a product is being imported in such quantities as to cause, or threaten, serious injury to domestic producers of similar products, the benefactor nation has the power to withdraw, in whole or in part, the preferential tariff in question. Thus the way was paved for the modification of preferential policies in subsequent years. As they slid into recession since the mid-1970's, and amid a rising tide of protectionism, a majority of benefactor nations have scurried to toughen various restrictions on the GSP by resorting to the safeguard provisions, thereby turning preferential policies into protectionist ones. Judging from the way the GSP was observed in recent years, the benefactor nations have come to resemble one another more and more in terms of the severity of their protectionist measures. There is a number of features common to all:

First, restrictiveness. On the whole, restrictions can be divided into two categories, conditional and unconditional. The former explicitly excludes some nations and commodities from the GSP. The latter is triggered off when a quantitative limit is reached (examples being "reserve quotas," "exceptional provisions," "competitive needs standards"). Using their domestic industrial crisis as a pretext, most benefactor nations have imposed strict controls on GSP commodities. Since 1981, the EEC has been determining the "sensitiveness" of imports by their quantities, not their impact on domestic industries, and has subject them to a system of strict tariffs and quotas. The United States is in the process of further lowering the dollar value and percentage of "competitive requirements standards," abolishing preferential treatment for competitive products and introducing a so-called "graduated" policy. Moves are also afoot to replace the "graduated" policy for individual items with a blanket "graduated" policy applicable to an entire class of products. According to foreign press estimates, at least $1.4 billion worth of goods were excluded from the United States tariff-free list in 1983. The United States is the last country to adopt the GSP and, contrary to other benefactor nations, still excludes China from its list of GSP beneficiary nations.

The second characteristic has to do with targets. In narrowing the scope of the GSP in recent years, most benefactor nations hit out at countries and regions which have registered relatively rapid economic growth after the war. Their actions constitute a heavy blow to the export of manufactured goods by those nations. According to data on EEC and U.S. GSP imports, the GSP utilization rate of countries like Singapore, Hong Kong, South Korea, Yugoslavia, Mexico, Brazil, India, Rumania and Argentina is usually 70 percent. Hence they are bearing the brunt of the burden of restrictions. These countries and regions, whose GSP exports have essentially not increased in the past few years, are facing mounting difficulties. Particularly hard hit are their apparel, textile, leather and electronic exports.

Third, preferential policies are complex and changeable. Since benefactor nations can draw up and revise their preferential schemes unilaterally, the result is a bewildering maze of plans and regulations lacking any unified provisions regarding the eligibility of beneficiary nations, the standards governing country of origin and processing, the transportation of GSP products, proper documentation and the size of quotas, etc. Moreover, the schemes are highly changeable as they are often subject to revision even when they are being implemented. This unpredictability not only adds extra costs to the products concerned but also has a discouraging effect on developing nations who frequently find themselves at a loss as to what to do. The mere existence of these complex regulations is in itself a restriction on imports.

Despite indications by developed nations that they would like to continue the GSP at the end of its first decade, restrictions in one guise or another are effectively plugging the openings which have been made in the tariff wall. The exports of developing nations have come under intense protectionist pressure. It is thus clear that protectionism has replaced trade liberalization as the dominant theme of the preferential policies of developed nations.

II

Why has the GSP drifted toward protectionism? My analysis of the foundation of the overall trade policies of developed nations and their changing economic developments leads to the following basic reasons:

First, in an age of imperialism, all foreign trade policies of a capitalist nation are essentially ultra-protectionist, subject as they are to the constraints imposed by its political, economic and foreign policies. Since monopoly capital dictates foreign trade policies, the kind of free trade policies characteristic of the age of laissez-faire competition are gone for good. Although the tendency toward trade liberalization may appear under some conditions, it only indicates a certain relaxation of, but not an essential change in, ultra-protectionist policies. The unevenness in capitalist economic developments and competition between international monopoly capital determine that protectionism is the point of departure for their foreign trade policies. Any preferential policies formulated on that basis can only drift toward protectionism in the end.

Second, the capitalist economic crisis of the 1970's has prompted changes in the preferential policies of developed nations. From 1974 to 1975 when the world-wide capitalist economic crisis erupted, the economies of developed nations were plagued by "stagflation." In particular, the collapse of the Bretton Woods system, the end of the era of cheap oil, soaring prices, energy shortages, unemployment and a worsening international balance of payments--all this led to frequent monetary wars, trade wars and cutthroat competition between developed nations. Under these circumstances, free trade and open markets were clearly no longer the major objectives of the foreign trade policies of developed nations. What was most urgent then was to climb out of the economic doldrums and fight for and protect one's markets. Thus the stage was set for a flood of protectionism sweeping across the world. The obverse side of this development was the inevitable tightening of their preferential trade policies by developed nations, that is, artificially reducing access in order to protect their markets to the utmost. These trends were further reinforced by the prolonged recession which gripped the entire capitalist world in the late 1970's. The GSP, after all, is a product of the times when trade liberalization was relatively popular in the years after the war. Under the new circumstances, it began to conflict with the basic premise of the developed nations' foreign trade policies--only by imposing stringent restrictions on the GSP can the interests of monopoly capital be realized and preserved. It is clear that it is the changes in their internal economic development requirements which played the decisive role in creating the shift in their preferential trade policies, a shift expedited by the series of economic crises of the last decade. Like the tilt toward protectionism in overall foreign trade policies, they reflect the readjustments taking place in the economic policy and industrial structure of developed nations.

Third, changes in protectionist tactics have lent an air of legitimacy to restrictions on the GSP as well as augmenting their impact. Postwar scientific advances, the intensification of the international division of labor and the expansion of multinational corporations have accelerated the growth of international trade. Particularly important are multilateral tariff reductions under the General Agreement on Tariffs and Trade [GATT], which could not but have an effect on the tariff policies in North-South trade. After the "Kennedy Round" of tariff negotiations, discriminatory, high tariffs were rarely imposed and reciprocal most-favored-nation tariff practices have become widespread. Following the adoption of the GSP in the 1970's, the "Lome Convention" signed by the EEC and 46 developing nations in Africa, the Caribbean and the Pacific region marked a further advance for preferential tariffs. Because of the diminishing of the traditional functions of tariff barriers, protectionism which appeared in the 1970's assumed a new form--non-tariff barriers. As tariff barriers were dismantled after the war and non-price competition gradually came into its own, the emergence of non-tariff barriers satisfied the protectionist needs of developed nations nicely. They have a high degree of target specificity and are flexible and versatile. They are also a good way to bypass the oversight of relevant international organizations and the restraints imposed by relevant agreements. Uniquely effective, they constitute a refinement of protectionism. In the late 1970's, there were almost 1,000 non-tariff restrictions of every description. Their proliferation and the fact that they are being erected more and more openly create a favorable environment for the effort by developed nations to use non-tariff tactics to circumscribe the GSP. The "autonomy" which developed nations enjoy to draw up and revise GSP schemes on their own only lends further legitimacy to those tactics. Through totally non-tariff means, a tariff policy whose raison d'etre is preferential access has been hemmed in by such requirements as "reserve quotas," "exceptional provisions." and "competitive requirements standards." This is the result of combining the monopolistic nature of capitalism with the protectionism of foreign trade policies.

The transformation of the preferential trade policies of developed nations is directly related to the decline of their capitalist economies. The retreat of the GSP is consistent with the tightening of foreign trade policies and reflects the ultra-protectionist nature of trade policies in the imperialist era.

III

At a time when the hallmark of protectionism is non-tariff barriers, developing nations will benefit little by relying exclusively on preferential tariffs for the following reasons. (1) Any tariff reduction agreement between developed nations will directly damage the tariff interests of developing nations. An example is the agreement reached at the "Tokyo Round" of tariff negotiations which ended in 1979 to further cut tariffs on industrial goods by one-third on the average, effectively nullifying some of the preferential access enjoyed by developing nations. (2) With the unbalanced growth of their economies, developing nations find it difficult to surmount non-tariff barriers as most of their industrial goods have little non-price competitiveness. (3) GSP schemes are controlled by developed nations and developing nations lack the necessary safeguards to intervene in protectionist matters. (4) With their economies growing at a halting pace, the negative growth in world trade in recent years and the surging tide of protectionism, developed nations inevitably try to pass on their economic crisis to developing nations. In addition, according to statistics in the "Trade and Development Report 1982" put out by UNCTAD, the average annual export growth rates of developed nations were 7.1, 6.3, -4.0 and -2.3 percent in 1978, 1979, 1980 and 1981 respectively. The slowdown in their own exports fully demonstrates that by no means are GSP exports the only thing being affected by protectionism.

How the GSP will fare and change is determined to a large extent by economic ups and downs in developed nations and their policies. This is a sign of the economic dependency of developing nations and mirrors their unfavorable position in North-South trade. It is possible that the GSP may in the end be swept away by protectionism.

The struggle between the forces to restrict the GSP and those opposing them has a bearing on the future of North-South economic relations. Basically speaking, maintaining the GSP alone can neither correct the inequitable nature of North-South economic and trade relations nor solve other fundamental problems in developing nations, such as the dominance of primary products in their export mix, worsening terms of trade, and mounting debts. To thoroughly improve North-South economic relations, we must get rid of the old structure with its monopoly by developed nations and build a new international economic order. But we cannot depend on others' generous gifts or voluntary concessions to bring about such an outcome. Instead, we must rely on our own strength to wage an active struggle. As far as the present state of the GSP is concerned, however, its usefulness has not totally disappeared. Even as they make full use of the GSP, developing nations should employ the powerful weapons of unity and cooperation to combat protectionism and trade discrimination and steer the GSP in a course beneficial to themselves.

12581
CSO: 4006/730

BRIEFS

TOYOTA INVESTMENT BID--Taipei, Feb. 20 (CNA)--Economic Minister Li Ta-hai said Thursday that his ministry will decide in the next day or two on the Toyota Motor Co. application to invest in the nation's automobile industry. Toyota, the No 1 passenger car maker in Japan, filed an application with MOEA [Ministry of Economic Affairs] late last year to enter a joint venture with the Kuojui Motor Corp. of the Republic of China to produce cars here. However, the export ratio became a controversial issue, preventing MOEA from making a decision on the case quickly. MOEA's Investment Commission held a meeting to screen the application and submitted three suggestions to Minister Li for final decision. The three suggestions given as alternatives were: first, that MOEA approve the application after Toyota promises to meet the requirements of the ROC Auto Industry Development Project by exporting a certain portion of its production; that MOEA agree to Toyota's plan to export 4,000, 4,500 and 5,000 cars in the third, fourth and fifth years after its plant becomes operational; third, that MOEA approve the application after Toyota revises its project, expanding its investment. Li said that he will make his decision soon after a prudent consideration of the three suggestions. [Text] [Taipei CNA in English 0233 GMT 21 Feb 86 OW] /6662

RISING INVESTMENT IN FOREIGN TRADE--Taipei, Feb. 20 (CNA)--The number of companies and manufacturers doing foreign trade is increasing rapidly, showing signs of rising investment willingness, the Board of Foreign Trade [BOFT] said Thursday. BOFT said that there were over 71,000 firms or manufacturers here doing import or export businesses as of the end of last year, an increase of nearly 10,000 firms in comparison with the same period in 1984. The number increased to over 72,000 in the middle of this month, BOFT said. The phenomenon indicated that the private sector is confident in the economic recovery here and it will be helpful to expanding the ROC's foreign trade, BOFT said. [Text] [Taipei CNA in English 0237 GMT 21 Feb 86 OW] /6662

CURBS ON FOREIGN BANKS EASED--Taipei, Feb. 18 (CNA)--Following through with agreements made at the Sino-American trade talks held in Washington, D.C. last year, the Ministry of Finance (MOF) said it will further relax restrictions on foreign banks in Taiwan by extending the scope of their business operations to include over-6-months time deposits and short-term bills. The MOF will also raise the celing amount of a loan to a single customer from 7 percent to 10 percent of the bank's total loans outstanding; and abolish regulations which severly hamper a representative liaison office from gaining branch office status. After a recent MOF decision, foreign banks may now set up second branch banks in Kaohsiung with US dollar 2 million in capital investment if the first branch has been established more than on year. To date, Bank of America, and Citibank, N.A. have expressed interest in opening branches in Kaohsiung, while Standard Chartered Bank has already applied to the MOF for permission. [Text] [Taipei CNA in English 0308 GMT 18 Feb 86 OW] /6662

1986 ECONOMIC DEVELOPMENT OPTIMISM--[Words indistinct] development, all indicators show the Republic of China's economic growth will exceed the target level this year. Economics Minister Lee Ta-hai expressed this optimism while commenting on current economic development. He said January trade performance was exceptional. If that should continue into March or April, the whole picture will be clear that Taiwan will have a good year for 1986. According to government statistics, Taiwan exported 3.09 million U.S. dollars worth of goods in January, representing a 13.3 percent growth compared with that of the same period last year. On imports, the general figure was 1.33 billion U.S. dollars, or a hike of 5.5 percent from that of the same month in 1985. Meanwhile, (Chin Chia-wei), deputy executive secretary of the commodity prices supervisory board, said that the sagging of the American dollars and the decreasing oil prices would help boost the nation's economic recovery. [Text] [Taipei International Service in English 0200 GMT 18 Feb 86 OW] /6662

CSO: 4020/228

END

JPRS-CEA-86-028

19 March 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-028

19 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Hu Yaobang Inspects Southwest Provinces
(XINHUA, 23 Feb 86) 1

Industrial Growth Slows According to Policy
(Ge Daxin; RENMIN RIBAO OVERSEAS EDITION, 10 Nov 85) 2

City Links Give Urban Economy New Vitality
(Tong Dalin, Song Tingming; RENMIN RIBAO OVERSEAS EDITION, 8 Nov 85) 4

Journal Examines Socialist Economic Risk Theory
(Wu Ming; JINGJI YANJIU, 20 Dec 85) 8

Briefs
Private Businesses Booming 18

ECONOMIC MANAGEMENT

China's Township, Town Enterprises Make Rapid Progress
(Wu Xiulong; NONGMIN RIBAO, 27 Dec 85) 19

Anhui's Township, Town Enterprises Make Breakthrough
(Gu He; ZHONGGUO XIANGZHEN QIYE BAO, 28 Dec 85) 21

FINANCE AND BANKING

Bank of China's New Responsibility
(Wang Deyan; ZHONGGUO JINRONG, 4 Oct 85).................. 23

INDUSTRY

Food, Garments, Consumer Goods 'Top Priorities'
(XINHUA, 3 Mar 86) 26

Petrochemical Industry Reorganized
(Zhong Shiyan; BAN YUE TAN, 10 Oct 85) 27

China To Expand Building Materials Industry
(XINHUA, 24 Feb 86) 29

Zhejiang Tightens Controls Over Scrap Iron, Steel
(Chen Jie; ZHEJIANG RIBAO, 14 Oct 85) 30

Sulphuric Acid Market Expected To Improve in 1987
(CHINA DAILY, 24 Feb 86) 31

Briefs

Guangxi Develops Nonferrous Metal Industry 33
PRC Produces Spare Plane Parts 33
Jiangnan Yard To Build Ships 33
New Steel Casting Technology Developed 34
Baogang Begins Production 34
Robot Welder Working at Plant 34
Zhejiang Industrial Output Value 34

CONSTRUCTION

Public Bidding Introduced in Capital Construction
(RENMIN RIBAO OVERSEAS EDITION, 9 Dec 85) 35

Development of Urban, Township Housing Construction
(RENMIN RIBAO OVERSEAS EDITION, 17 Dec 85) 37

Jiangsu Speeds Up Construction of Key Projects
(Gao Feng; RENMIN RIBAO OVERSEAS EDITION, 8 Dec 85) 39

Shanxi Develops Coal-Consuming Industries
(XINHUA, 25 Feb 86) 41

Guangzhou Shipyard Builds Mooring Platform
(XINHUA, 20 Feb 86) 42

FOREIGN TRADE AND INVESTMENT

TECHIMPORT Accepts Foreign Bids for Power Equipment
(XINHUA, 25 Jan 86) 43

Status Report on Patent Law
(Wang Xidong; JINGJI DAOBAO, 1 Jan 86) 44

TRANSPORTATION

Foreign Funds To Aid in Developing Transport
(XINHUA, 21 Feb 86) 47

Economic Reforms Cut Red Tape in Tianjin
(XINHUA, 18 Feb 86) 48

Briefs

Preparations for Port Facilities Exhibit 49
First Ship Built in Dock Launched 49
Building, Expanding Civil Airports 49
CAAC Director Addresses Conference 49
Heilongjiang Improves Highway Transportation 50

HU YAOBANG INSPECTS SOUTHWEST PROVINCES

OW231507 Beijing XINHUA in English 1446 GMT 23 Feb 86

[Text] Beijing, 23 Feb (XINHUA)--General Secretary of the Communist Party Central Committee Hu Yaobang inspected Guizhou and Yunnan provinces and Guangxi Zhuang Autonomous Region between 4 and 16 February. He spoke to local cadres on 19 February in Nanning, capital of Guangxi, summarizing his 2-week fact-finding tour which had taken him to more than a dozen counties in this rugged mountainous part of southwest China.

In the speech Hu Yaobang urged the leading cadres, both at the central and provincial levels, to find the real situation at the grassroots for themselves, in order to improve their links with the people and give a correct leadership.

Reviewing the general development of China's rural reform in the past 7 years, Hu noted that two principles are of primary importance: First is common prosperity for all. However, in a period of considerable length to come, some peasants will be allowed to achieve prosperity faster than others. Second, a suitable proportion should be maintained between rural and urban population. This can be done by developing rural enterprises and other undertakings to absorb peasants who are no longer needed by farming.

The general secretary also discussed the economic prospects of Guizhou, Yunnan and Guangxi, basing himself on his own findings and reports by the provincial and regional leaders. He had also heard reports from three study groups sent by the central authorities there.

Hu said that despite the economic progress in the past few years, Guizhou, Yunnan and Guangxi are still less developed than most parts of the country. He suggested these areas should make full use of their own natural advantages--rich mineral resources, valleys suited for growing sub-tropical crops, and large expanses of highland pastures for developing animal husbandry.

During the inspection tour, Hu Yaobang also visited Beihai City in Guangxi, one of the 14 coastal cities further opened to foreign investment.

/9604
CSO: 4020/232

NATIONAL POLICY AND ISSUES

INDUSTRIAL GROWTH SLOWS ACCORDING TO POLICY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 10 Nov 85 p 1

[Article by Ge Daxin [5514 1129 2502]: "China Sees Results From Increased Macroeconomic Control; Industrial Growth Rate Gradually Approaches Normal Levels; GVIO for January to October Exceeds 680 Billion Yuan"]

[Text] People have been concerned that China's industrial growth rate during the first half of this year was excessively high. But after the CPC Central Committee and the State Council adopted a series of macroeconomic control measures, the growth rate has been lowered and has slowly headed toward a normal level.

According to statistics supplied today by the State Statistical Bureau, China through October this year had a GVIO of more than 68.04 billion yuan. Compared to the same period in the previous year, the rate of growth for the January to October period declined from 23.1 percent for the first 6 months to 19.6 percent. During the first half of the year, monthly industrial production increased from 22 to 25 percent over the same month of the previous year. Starting in July, however, the increases began to decline. The rate of growth for July was 20.2 percent; for August, 17.4 percent; for September, 14.5 percent; and for October, 11.7 percent.

The slow reduction of the excessively high rate of industrial production in China has been achieved by beginning to bring under control the excessively rapid increase in fixed-asset investments and consumer savings, by production adjustments, by quickening the advance of key construction projects, and by the flourishing of markets. According to statistics, from January through October China's total light industry output was more than 338.8 billion yuan, which is an increase of 21.8 percent over the same period in the previous year. Heavy industry output was more than 341.5 billion yuan, which is an increase of 17.6 percent over the same period in the previous year. Light and heavy industries already occupy virtually equal shares of total industrial output. Due to controls placed on the scale of fixed-asset investments, the rate of growth of most machine goods has clearly been slowed, aside from the equipment needed for the state's key construction projects. At the same time, the production of light industry goods for which there is strong market demand, especially durable consumer goods, continues to expand relatively quickly. The energy and raw material industrial sectors also have continued to maintain a steady pace of development. Among 100 important industrial products drawn from throughout China, there were 19 whose production as of the end of October had already met production quotas set for the entire year. The production of 59 other items, including raw coal, petroleum, electricity, pig iron, steel, 10 nonferrous metals, synthetic rubber, plastics, cement, and plate glass, has reached the rate of progress set in this year's plan.

Responsible sources point out that, at present, development of China's industry requires that attention be paid to capacity. The structure of industrial enterprises and products must continue to be adjusted according to the needs of society, and an appropriate and normal production pace must be realistically achieved and maintained. In order to sustain continuous, steady, and coordinated development of the national economy, strenuous efforts must be made to control the production of goods for which supply exceeds demand; the steady development of the energy and raw materials industries must be maintained; the production of goods that meet market demand, such as light industrial and economic goods, small commodities, agricultural inputs, and products that earn foreign exchange, should be increased.

12994/9274
CSO: 4006/325

CITY LINKS GIVE URBAN ECONOMY NEW VITALITY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Nov 85 p 2

[Article by Tong Dalin [4547 1129 2651] and Song Tingming [1345 1694 2494]: "Developing Horizontal Economic Links Is a Breakthrough in Urban Reforms"]

[Text] Reforms in China's cities have continuously advanced through experimentation and exploration. The most important task before us is to quicken the pace of reforms that place cities in the key position in the entire economic system. The experience of urban reforms in recent years proves that development of horizontal economic links is an important breakthrough in urban reforms. Especially this year, horizontal links between cities have been expanding, have already become a strong trend, and have brought a string of important changes to urban economic reforms. They have given the development of the urban economy new vitality and force and have opened a broad and promising future.

The Development of Horizontal Economic Links Is the Inevitable Result of Implementing Liberalizing Reforms

In the past, China's urban economy had an important defect in respect to the system of management. That is, a kind of closed insularity developed that was not compatible with the development of social production. It was a vertical system of management that was rigid and centered on administrative relationships.

To address the defect described above, we must resolutely open up the economy both domestically and internationally in the course of urban economic reforms. We must develop horizontal economic links, thoroughly removing the old management system that was vertical and closed and gradually establishing a new economic network that is horizontal and open, and which hastens the development of the urban economy.

Experience everywhere shows that the development of horizontal economic links is beneficial to the economic development of cities and enterprises for the following reasons:

1. The links can enable enterprises to completely cast off the fetters of administrative subordination, to break through the narrow confines of

ministerial and local ownership, and to become truly independent economic entities.

2. The links can enable enterprises to become truly responsible for their own profits or losses, to become self-operating producers of socialist commodities.

3. The links can guarantee the legal existence of enterprises.

4. Enterprises can obtain more power to direct their own reforms and expansion.

5. The links can help cities more completely fulfill their functions and advance the formation of different kinds, scales, and ranks of economic regions that depend upon central cities.

Strengthening Horizontal Links Is the Only Way To Develop the Socialist Commodity Economy.

Today, with the rapid development of the socialist commodity economy, those places that have done well in establishing horizontal economic links have increased the speed of their development and enjoyed good economic returns. This has already been proven by the experiences of the urban reforms of recent years. Beginning this year, every kind and form of horizontal economic link has developed rapidly; their scope, scale, and variety of form exceed those of any earlier period.

One dimension is the nationwide scope of the links and cooperation. China is a country with a vast territory and large population. Differences between localities in terms of social-historical conditions, economic and technical capabilities, economic and geographic environment, and natural resources are large. Economic development has been very uneven. For example, districts in the coastal region in east China have highly developed processing industries, but severely lack raw materials and energy resources. Districts in west China have abundant sources of raw materials and energy supplies, but do not have a developed industrial base. In the north, the heavy industrial base is well-established; in the south, textiles, electronics, and other new branches of industry are most developed. In order to thoroughly change this situation where "east is rich, west is poor" and "light industry is in the south, heavy industry is in the north," there is a pressing need for a strategy of using economic links that provide "east-west exchanges" and "north-south exchanges." The economic differences between the east and west regions, and between north and south, can be steadily reduced, thus hastening the coordinated development of the entire country.

A second dimension of the economic links is that of intra-regional links and cooperation. In recent years, the State Council has established the Shanghai Economic Zone, the Shanxi Economic Base, and the Planning Office of the Northeast Economic Zone. Under the urging of leading comrades on the CPC's Central Committee, five places--southwest Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing--have convened conferences on economic cooperation that took up the

the subjects of liberalization and loosening of other topics. They have agreed on 1,500 cooperative economic and technical projects. Most recently, the large cities of Chongqing, Wuhan, Nanjing, and Shanghai have also agreed to commence joint development of the Chiang Jiang basin's economy, jointly developing transportation, communications, foreign trade, the flow of information, and other projects to help the development of the basin. This will gradually develop the role of China's largest river-basin economy.

A third dimension of the links is inter-urban links and cooperation. In recent years, following the development of the urban and rural commodity economies, the pace of urbanization in China has quickened, resulting in the gradual emergency of horizontally linked urban entities that are parts of networks and belts. Cooperative economic and technical units have been formed among these cities.

A fourth dimension of the links is urban-rural links and cooperation. Beginning in the spring of 1983, economically developed places implement a reform measure in which cities provide leadership to counties in order to quicken the unification of urban and rural economies. Horizontal links between city and countryside have developed rapidly. At present, throughout the country some 129 large or medium-sized cities have implemented the reform and have formed new entities to lead 571 counties. Liaoning and Jiangsu have basically implemented the cities-lead-counties program throughout the two provinces. In Sichuan, after 8 counties in the Yongchuan District were linked to Chongqing, the city added 368 runs of "Rural Night Coaches" to rural towns, greatly helping peasants come to the city to sell agricultural products, and benefiting urban residents as well.

A fifth dimension is inter-enterprise links and cooperation in the cities. In recent years, horizontal links between enterprises in the cities have taken a variety of forms. Some have been tight links, others relaxed. Some have been only for single projects; others have been comprehensive. Some have involved substantial companies; others have involved service organizations. At the same time, domestic enterprises have used joint investment measures, jointly contributing raw materials, plans, patterns, compensation trade, and other items to broaden economic and technical exchanges and cooperation with enterprises in foreign countries and in Hong Kong and Macao. Multi-enterprise units are now forming that use many channels, forms, and instances of horizontal enterprise links, and cross boundaries of province, region, departments, industries, forms of ownership, and even the nation. The joint economy has already become a new economic form that has burst forth in China.

It can be predicted that the forms of enterprise ownership and operations will break with the old conventions, creating a major change that is appropriate for the rapid development of society's productive forces.

The details described above show that China's socialist commercial economy has already entered a new development stage, in which a primarily vertical system of management is changing into a primarily horizontal joint system. The embryo of a network of horizontal economic links on a nationwide scale has already basically been formed.

Firmly Reform and Liberalize, Create Favorable Conditions for the Development of Horizontal Economic Links

The development of horizontal economic links has penetrated the past conditions of isolation, where land was divided up like animal pens, each placed closed and locked to the outside. The links have opened up a new, broad, free world for the development of the socialist commodity economy. However, due to traditional thinking and some corrupt practices found in the economic system, there are some regions, departments, cities, and enterprises that still insufficiently appreciate the importance and inevitability of the development of horizontal economic links and its conformity to natural law. Some new problems that still await solution have emerged from horizontal links. Therefore, we must further advance consciousness, firmly reform, open, and create the system, policy, and legal conditions that will foster the development of horizontal economic links.

The first measure to be undertaken is to regard the development of horizontal economic links as an important item in state economic and social development planning.

A second measure is to continue to carry out liberalizing reforms, further simplifying administration and expanding enterprise powers, separating administrative and enterprise responsibilities, reducing administrative interference, making it possible for enterprises to be truly unfettered and able to develop every variety of horizontal link.

A third measure is to further policies that encourage the active development of every form of horizontal economic link among departments, regions, cities, and enterprises.

A fourth measure is to legally protect the economic interests of cooperating units, further strengthening economic laws and judicial administration.

A fifth measure is to strengthen the organizational leadership in horizontal economic links, improving internal management in organizations engaged in economic linkage and increasing economic returns.

12994/9274
CSO: 4006/325

NATIONAL POLICY AND ISSUES

JOURNAL EXAMINES SOCIALIST ECONOMIC RISK THEORY

Beijing JINGJI YANJIU in Chinese 20 Dec 85 pp 29-34

[Article by Wu Ming [0702 7686] of the Politics Teaching and Research Section of the National Defense Science and Technology University in September 1985: "Theory of Socialist Economic Risk"]

[Text] Economic risk is an objective economic phenomenon that are inevitable in a developed commodity economy. A socialist economy is a planned commodity economy, so it also carries economic risks, and has many practical economic issues requiring risk analysis.

I. Economic Risk Is an Inevitable Consequence of the Development of a Commodity Economy

Economic risk is a historical concept and a phenomenon characteristic of a commodity economy. Generally, it denotes a deviation of the actual income of a commodity producer from the expected income in the production and circulation of commodities owing to the impact of some factors that cannot be predicted, a deviation that gives rise to the possibility of losses for the commodity producer.

Only under the circumstances that a producer fixes a certain target of value for his production in accordance with a certain social demand, can the possibility for a deviation of the actual income from the expected income emerge in attaining the target, and can economic risk exist. In the natural economy of a primitive society, as commodity exchanges do not exist, producers cannot and need not measure the amount of socially necessary labor in their products; therefore, we cannot begin to talk about losses in the amount of value.

Economic risk should also be based on the premise that social production is divided up into production that is carried out by different owners. What we should study in issues of risk is the impact of the uncertainty in our future economic life on individual producers. This impact varies as producers or economic activities vary. This makes the study of economic risk a necessity. If risk is undertaken by the whole society, then we can assume that all members of the society undertake the same risks without any difference in the extent of the risks. Under these circumstances, the economic loss caused by the uncertainty in future economic life is a normal social loss rather than the consequence of economic risk. Hence there is no such thing as economic risks in a communist commodity economy. Although the uncertainty in economic prospects still may have some impact, it is of no direct significance for producers as specific individuals.

Only in a commodity economy do the two conditions mentioned above simultaneously exist. Not only is production carried out by different producers, but among commodity producers, there is also a relation of exchanges based on a measurement of the amount of labor in their products. Here, the law of value unavoidably plays a role and requires that a commodity producer receives a payment equal to the amount put into his products. The role itself has created conditions for the emergence of economic risks. If because of a certain reason, a producer cannot fully realize the value of the labor that he has put in, he will inevitably suffer a loss in terms of his expected income. This possibility of losses exists for all commodity producers. However, as the contents of and conditions for the economic activities vary for commodity producers, so does the extent of possibility. Under these circumstances, we can say that a commodity producer undertakes certain economic risks for his own economic activities.

But, under the conditions of simple commodity production, the influence of economic risk is not clear. At that time, the products are relatively simple, the scope of exchanges is relatively small, the changes in products and technology are relatively slow, and it is easy for producers to be sure of the expected income. At the same time, because the production scale is generally relatively small, losses suffered by an individual commodity producer have very slight impact on the production of the whole society, and there is not much difference in the degree of risk assumed by different producers. Thus, in analyzing a simple commodity economy, economic risks are not important enough to draw people's attention. As a commodity economy develops, this situation also changes. The scale of production continues to expand, products become increasingly complicated, and the scope of commodity exchanges becomes increasingly broader. The increasingly intensive social division of labor brought about by socialized mass production has increasingly expanded the scope of commodity exchanges and lengthened the chain of production. As a result, a change in any link of the production process may often cause violent economic turbulence. As wave after wave of technological revolution surges, as there are too many generations of new products to keep up with, and as the composition of social demands undergoes rapid changes, the prospects of social economy become very complicated. Although great strides have been made in means of forecast and methods of analysis, uncertainties in economic life have steadily increased. In a highly developed commodity economy, economic risk has already become a fact that we must acknowledge.

When Marx analyzed the emergence of the average profit rate in a capitalist society, he pointed out that as capital moves between different production sectors, commodities were not sold according to value but according to price, causing profit obtained from the capital of different organic composition to deviate from the surplus value that it brought about, and throughout the society an average profit rate emerged based on the profit rate of a medium composition of capital. The law of average profit is not a negation of the law of value, but a form of its manifestation. In view of the whole society, the total value and total production prices are equal and so are total surplus value and total profits. This analysis of Marx's left out the factor of risks in his abstraction. In other words, he assumed that all production sections in a society undertook the same degree of risks; therefore, the movement of capital was only affected by the profit rate and not by the factor of risks. Under these circumstances, a situation of an equal amount of capital getting an equal amount of profit will ultimately emerge. Judging by the objectives and requirements of the questions that Marx analyzed, this abstraction was entirely reasonable. When he was analyzing the concepts of profit and average profit, the major question that he had to answer was how to expound on the sources and essence of profits on the basis of the theory of the value of labor and the theory of surplus labor, and thus more deeply reveal the relations of exploitation in a capitalist society. But the key to answering this question is to expound on the question of why capital of different organic composition gets the same rate of profit. Obviously, in such case, if we take into consideration the factor of risks, it will not only be of much help in resolving the major problem but also will make the analysis more complicated and blur the clues of the theory.

In real life however, the degree of risk for different sections is not entirely equal. The movement of capital and the rate of profit will necessarily be affected by the factor of risk. Especially over the past few years, because of the impact of the new technological revolution, in capitalist countries, quite a few high risk sections have emerged, into which ordinary capital will not easily move, and which can therefore maintain a fairly steady and relatively high profit rate. Western economists often regard as risk industries the industries of high technology that are engaged in the development of new products. The capital invested in these industries is called risk capital. As risk capital assumes relatively greater risks, it can expect a relatively higher profit rate. Facts have proven that small enterprises engaged in risk investment can often develop into super enterprises with turnover of several hundred million or even several billion U.S. dollars in a few years. For example, the well known U.S. companies such as the Hewlett-Packard Company, the Data General Corporation, and Varian Associates Corporation have been developed in this manner. But on the other hand, a fairly large portion of risk capital does not earn a high profit, but instead a profit lower than the social average, and some of it even fails to recover the investment. From this we can see that the high profits of a portion of risk capital are premised on low profits or losses of another portion of risk capital. From the point of view of the whole society, this high profit still comes from the surplus value created by wage earners (including engineerng and technical workers and management personnel), not from the phenomenon of economic risk itself. The functions of the law of value have not disappeared, but are manifested in a special form. If we say that the law of average profit makes different profit rates tend to approach an average value, then the factor of risks has a differentiating impact on profit rates and causes a large variety of profit rates to coexist. The complicated nature of the operation of social economy is thus displayed in the interaction of various opposing forces.

II. Economic Risk in Socialist Commodity Production

Since a socialist economy remains a commodity economy, economic risks must exist in it. The existence of socialist economic risks is first of all due to uncertainties still existing in socialist economic life, disparity between people's expectation of the economic prospects and the actual development of economy, and unexpected changes which often cause wide fluctuation in economic life and have strong impact on economic development. It is impractical to think that a socialist economy can operate along a course accurately planned beforehand. Second, in a real socialist society, there are diverse forms of economies and production is carried out by different owners of the means of production. Hence, any change in the economic life at first always has impact only on some specific economic entitites. The practice of our country's economic structural reform shows that once the state's monopoly over and centralized care of enterprises are eliminated, our enterprises will immediately face the test of many economic risks, and display their capacity to assume risks and apply various means to reduce the impact of those risks. Third, there are socialist economic risks because a socialist economy is a developed commodity economy and is a commodity economy that continues to develop in breadth and depth. The full development of a commodity economy is characterized by continuous development of new technology and continuous introduction of new generations of products. Under these circumstances, past experience is not sufficient to provide an accurate guide for modern production; the uncertainty of future economic life is thus heightened and the impact of economic risks becomes increasingly substantial. In an underdeveloped commodity economy, production mainly relies on past experience; the impact of economic risks is very small. In the past, our country overlooked socialist commodity production and its commodity economy was very underdeveloped. This inevitably caused a failure to heed the issue of economic risk. As people renew their understanding of commodity economy in practice, they will inevitably attach importance to making theoretical research to economic risk.

According to the above analysis, we can hold that socialist economic risk is an objective economic phenomenon that has emerged under socialist economic conditions. It denotes the possibility in socialist economic life that economic entitites may suffer losses in conducting normal economic activities owing to uncertainties in economic prospects.

Socialist economic risks can be classified into natural risks, social risks, and management risks in terms of causes. Natural risks are risks caused by natural factors such as lightning, fire, flood, and earthquake; social risks are risks caused by the social activities of people as individuals or in groups, such as theft, robbery, accidents, wars, and political turbulence; and management risks are risks caused by administration, management, market supply and demand relations, and other factors in the production and marketing of commodities. Here the classification of the natural, social, and management risks is made in terms of cause. From an economic point of view, all three categories are possibilities that cause economic losses to those who assume risks without taking into consideration losses in other spheres; therefore, they are economic risks.

Since causes for risks vary, economic risks can also be divided into insurable and uninsurable risks. Insurable risks are mainly those caused by natural disasters and accidents. On the basis of historical statistical data, people can calculate the probability of these risks, estimate the average value of the economic losses they may cause, and thus turn uncertainty into certainty. People can establish a series of insurance systems to spread the huge losses of the risks. Uninsurable risks mainly denote the economic risk arising from administration, management, and changes in the supply and demand relations in the market. It is difficult to estimate economic losses that may be caused by this kind of risk; therefore, these losses cannot be prevented by an insurance system.

In terms of the different stages of production processes, there are the following three mututally linked yet different aspects in socialist economic risks: 1. Investment risks. Those that investors undertake when investing in a project. There are many opportunities of investment in a socialist economy, but the degree of risk differs in different investments. If an investor behaves as a relatively independent economic entity, it must shoulder the responsibility for the expected benefit of its investment. This will compel it to consider the issue of investment risks and make choices in the face of many investment opportunities. 2. Production risks. Those that a producer assumes in producing some products (including visible and invisible products). Generally speaking, one has to assume risk in producing any product. Once funds are funnelled into a production process, the question of whether the funds invested can be recovered and some profit earned is entirely determined by whether or not the products can be produced in accordance with predetermined targets. In fact, owing to the impact of factors such as environment, technology, management, and even the social and political situation, it is uncertain whether products can be produced in accordance with the predetermined targets. The impact of production risks on the production of new types of product is particularly evident. 3. Marketing risks. Risks that those who market and sell goods undertake when they are engaged in marketing and selling goods. Because a socialist economy is a planned commodity economy, a product realizes its value mainly through exchanges in the market as a commodity. In a developed commodity economy, market conditions change in a myriad of ways and demand for a certain kind of commodities is by no means fixed and unchanging. When there is a sharp reduction in the demand for certain kinds of commodities, not only commodity producers, but also commodity sellers, will suffer losses. The latter will suffer losses more directly than the former.

Socialist economic risks can be classified into high, medium, and low risks. The intensity is determined by two factors: 1) the extent of complication of economic prospects; and 2) the amount of losses of funds that may be incurred. These two factors are determined by the nature of the products, the production scale, the technological conditions and the ability to forecast economic prospects. For example, the production of technological products is generally highly risky; at present, the production of our armament industry can be regarded as low risk; and the production of ordinary material and nonmaterial commodities that are of a relatively fixed type and for which the demand is relatively stable, is mostly medium-level risk.

Socialist economic risks themselves play a negative role, but when people understand them in theory, they can use certain regulatory means to transform their negative role into a positive one. The most important regulatory means is to give economic compensation to those who assume the economic risk and enable them to get relatively high income. Generally speaking, the greater the economic risk the greater the chance to incure losses, but the greater the income to expect; conversely, the lower the economic risk, the smaller the chance to incur losses, but the smaller the income to expect. This disparity in expected income can attract social funds into high risk production sectors and thus promote a more rational distribution of social resources, and avoid the situation of highly risky production sectors lacking funds and other sectors having excessive funds. In a sense, we can say that highly risky production sectors play an even more prominent role in the development of the economy of the whole society. Often, these production sectors are new types of industries--those that are called "promising industries." They represent the orientation of social economic development and guide the development of social productive forces. Enabling highly risky sectors to get high income will therefore attract a portion of social funds to open up new avenues and develop new products. This will be extremely conducive to developing our socialist economy at a rapid pace.

Socialist economic risks differ from capitalist economic risks in the following ways:

First, the risk-bearers differ. Under capitalist conditions, the risk-bearers are in the main capitalists. Capitalists embody capital and are the actual decisionmakers in the activities of investment, production, and sales. They not only receive income from risks, but assume losses as well. Wage earners are also influenced by economic risks, but do not directly bear economic risks. Therefore, they are not very concerned about the management of their enterprises. Under socialist conditions, economic activities are conducted by different socialist economic entities. In all our production units, laborers enjoy the status of masters of the units and are the principal undertakers of all economic activities. They jointly assume the economic risks of their units. Income and losses from economic risks are directly related to their material interests.

Second, the economic risks differ in degree of results. In a capitalist society, private ownership has divided up the whole national economy into various capitalist enterprises which have conflicting interests. As a result, social production is in anarchy and it is impossible for there to be a unified plan to guide the operation of the economy on the scope of the whole society. Therefore, there is a fairly large degree of blindness in the management activities of capitalists as individuals, a relative uncertainty of economic prospects, and a greater consequence of economic risks. A socialist society is established on the basis of public ownership of means of production. The fundamental interests of all enterprises there in carrying out their economic activities coincide. This makes it possible for people to formulate unified plans to guide, regulate, and manage the operation of the economy on the scope of the whole society, to make relatively accurate analysis and forecasts of the future economic life in totality, and to reduce as much as possible the influence of the factor of uncertainty. Hence under socialist conditions, the consequence of economic risks is relatively smaller in terms of the same kind of economic activities in a capitalist society.

Third, the nature of income from economic risks differs. From the point of view of form, this income is profit in both capitalist and socialist societies, but capitalist profits differ in essence from socialist ones. Capitalist profits are a form of surplus value and reflect the relationship of exploitation between capital and labor. The essence of capitalist profits determines that capitalists have no scruples in adopting any means to avoid losses from risks and maximize income from risks at the expense of other people and at the expense of the interests of the society as a whole. Socialist profits are the balance of the new value created by laborers after deducting wages paid to them. These profits are the value of surplus products in the form of money. They do not reflect a relationship of exploitation. The basic aim of socialist production is not to pursue maximum profits but to satisfy the material and cultural demands of all the members of society and the production collectives of laborers. Therefore, fundamentally speaking, socialist profits are sources for social accumulation and for expanded reproduction and are a material guarantee for the improvement of people's social welfare. The nature of socialist profits determines that those who bear economic risks must regard the interests of the society as a prerequisite to earning risk income and should not harm others or harm the public to benefit oneself.

Finally, the scope of the existence of economic risks differs. Under capitalist conditions, this scope is very large. Capital must assume some economic risk no matter whether it is invested in the operation of a casino or a brothel or in various kinds of speculative activities, and it may also thus earn some income from the risk. Under socialist conditions, economic risks and the income from economic risks can only exist in normal economic activities. People must undertake very big "risks" in carrying out some economic activities, but this is not what we mean by socialist economic risks. For example, at present quite a few units or individuals have adopted illegal methods to earn windfall profits by reselling materials and goods on which a state planned control is imposed, such as automobilies and rolled steel. We cannot say that the "risks" are not great in conducting these activities; for once these activities are discovered, the goods may be confiscated. Neither can we say that the income from these activities is not high if they succeed. Nonetheless, this is illegal income and can never be confused with reasonable income from economic risks.

III. Practical Significance in Researching Socialist Economic Risks

Practice often develops ahead of theory. This is also the case in the development of the theory on socialist economic risks. In our country's practice of economic structural reform, many new situations and problems have emerged thus broaching objective demands for research into socialist economic risks.

First, in our socialist construction, problems such as low economic results of investment, unreasonable utilization of funds, and what people call the "investment thirst syndrome" are very common. All these problems are to some extent due to our neglect of the problems of economic risk in theory.

In our country, investment decisionmakers are government or enterprise leaders, but they do not undertake economic responsibility for the success or failure of the investment projects. In other words, they are only in charge of the investment but bear no investment risk. This will inevitably encourage them to attempt every means to carry out a larger number of projects and expand the investment scale in their areas, departments, or enterprises in disregard of the economic results of investments. Although there are diverse reasons for the emergence of these phenomena, from a theoretical point of view, our long-standing neglect of the issues of economic risk is also one of the reasons. Problems related to economic risks are excluded from the scope of socialist political economy studies, forming an unwritten traditional concept that a socialist economy is a 100 percent pure economic mode in which everything is planned satisfactorily beforehand and in which there is no economic risk. Starting from this concept, it is natural for people to regard all investment activities as efforts that serve socialist construction. The simple formula that investment equals socialist construction has become so deep-rooted in many minds that people never had any idea about investment risks. Actually no matter whether people admit it or not, investment risk plays its role just the same. For example, because of backward production technology, the economic results of some investment projects have been lower than the social average for a long time; and because of the failure to do adequate work in forecasting the economic prospects, some investment projects cannot even recover the funds invested. Under a highly centralized economic system, however, economic risks are assumed by the state and the state in turn performs its economic functions on behalf of the whole society. As we have mentioned before, if an economic risk is to be shouldered by the whole society, it cannot even be regarded as a risk, with the result that people cannot personally feel the existence of economic risks. This is an objective reason why people can give no consideration to investment risks. From this we can see that expounding in theory on the nature, content, and role of socialist economic risks and ensuring in practice that the responsibility for economic risks is borne by various economic entities are of certain significance in urging people to rationally utilize funds with restraint and raise the economic results of investment.

Second, economic risks have a great bearing on the production and pricing of technological commodities.

As we reform our country's scientific and technological system, the emergence of a technological market and the commercialization of technology have already become inevitable trends. We know that the value and price of a commodity are determined by the amount of socially necessary labor used in producing this commodity and its price fluctuates around its value. But it is very difficult to explain the prices of technological commodities by this theory. In real life, the prices of some technological commodities can far exceed the labor that has been used in producing them. What's more, the labor used in producing a commodity of that kind constitutes only a negligible portion of its price. It is exactly the reverse for some technological commodities; their prices simply cannot be compared with the huge production costs incurred to produce them. At the same time, as each kind of technological commodity is a unique project, the prices of different kinds of commodities are uncomparable; therefore, the idea of prices fluctuating around value is not applicable. To give an all-round explanation about the problems related to the prices of technological commodities, I believe it is necessary to include the analysis of economic risks in our theory, break the traditional idea of socialist price theory that "production costs plus average profit" is the basis for fixing the prices of commodities, and regard it as imperative to consider the impact of economic risks in fixing the prices of technological commodities.

The production of technological commodities is a highly risky business. The production processes themselves are processes of exploration. It is very difficult to produce these products accurately and without mistakes in accordance with the plans, steps, and targets that are decided beforehand. It is extremely uncertain whether or not the products will be successfully produced, whether or not their costs will exceed the expected costs, and whether or not the products will be accepted by the society. Moreoever, the production of a technological commodity is a one-time process. When the producer finds after the production process that his income is less than his costs, he cannot readjust his production processes as ordinary commodity producers usually do. Therefore, technological commodity producers bear much greater risks than ordinary commodity producers. In a socialist commodity economy, to promote the continuous emergence of new technology and invention, we must economically encourage technological commodity producers, properly increase the prices of technological commodities and enable technological commodity producers to earn a profit at a rate higher than the social average to compensate for the risks that they bear. In technological commodity trade fairs, we often hear people say that certain technological commodities are offered at excessively high prices. But do they ever give any consideration to the "cause"--that high prices are due to the risks in technological commodity production?

Third, it is also necessary to analyze the risk concerning the income from the shares in socialist share companies brought on by the rise of these companies.

Share companies are characterized by raising funds through issuing shares. By holding shares, a shareholder can obtain the dividend and bonus dividend paid by the share company. In essence, both the issuance of shares and the attracting of bank deposits are methods to raise socialist funds and to turn idle funds in the society into production funds. Why then is income from shares higher than interest income from bank deposits? This involves the issue of economic risks. Bank deposits in our country can be regarded as entirely riskfree (excluding the factor of inflation), and their interest income is entirely guaranteed. However, income from shares is uncertain. Although the rate of dividend on a share is fixed, there is no guarantee of a dividend every year. If the company suffers a loss in its operation, the dividend for the year will be delayed and will not be paid until the operation has improved. The payment of bonus dividends is entirely determined by the earning of the operation. From this we can see that the possibility for shareholders not being paid their dividend is relatively strong. Because a share purchaser has to undertake certain economic risks, in ordinary circumstances, his income necessarily should be higher than interest from bank deposits.

In addition to the demands mentioned above, risk analysis is also indispensable for quite a few practical economic problems: for example, the establishment of socialist investment theory, the development of socialist insurance industry, the implementation of the socialist patent law, and the establishment of socialist enterprise bankruptcy law. In short, acknowledging and expounding on the issues of socialist economic risks is of positive significance both in theory and practice.

/9599
CSO: 4006/612

BRIEFS

PRIVATE BUSINESSES BOOMING--Beijing, 22 Feb (XINHUA)--Private businesses are mushrooming during the current national economic reform, according to statistics provided by the State Administration for Industry and Commerce today. The administration said there were 11.7 million private businesses last year, up 26 percent over 1984. These businesses employed 17.6 million people, up 35 percent over 1984. Leading the increases were private transportation and construction enterprises, which jumped 68 percent over the year. Administration economists said while these sectors are growing satisfactorily, others such as food service are still failing to meet demand. For example, they said that in Beijing, with more than 5 million urban residents, there are only 5,000 individual restaurants and snack bars, and the shortage frequently makes it difficult for people to eat out. [Text] [Beijing XINHUA in English 1437 GMT 22 Feb 86] /9604

CSO: 4020/232

CHINA'S TOWNSHIP, TOWN ENTERPRISES MAKE RAPID PROGRESS

Beijing NONGMIN RIBAO in Chinese 27 Dec 85 p 1

[Article by Wu Xiulong [0702 4423 7893]: "China's Township and Town Enterprises Make Breakthrough Progress, This Year's Total Output Value Is Expected To Reach More Than 230 Billion Yuan; They Have Become an Important Component of the National Economy and the Mainstay of Stable Agricultural Development"]

[Text] China's township and town enterprises made breakthrough progress during the Sixth 5-Year Plan period. According to statistics compiled by departments concerned, the total output value of township and town enterprises throughout China rose from 72 billion yuan in 1980 to 170.9 billion yuan in 1984, which was equivalent to the output value of the total product of society in the whole country in 1964. The increase was more than double in 4 years at a rate of a 26-percent increase per year, of which, the GVIO jumped from 57.3 billion yuan in 1980 to 125.4 billion yuan in 1984, which was equivalent to Ghina's GVIO in 1966, increasing at the rate of 23 percent per year. Economic results also improved steadily. The per capita output value of enterprises at the township and village level rose from 2,167 yuan in 1980 to 4,042 yuan in 1984 and the per capita tax for profit created jumped from 480 to 540 yuan. The township and town enterprises made steady and rapid progress this year, their total output value is expected to reach more than 230 billion yuan, an increase of 35 percent over last year, the amount of tax deliverable to the state will come to 12 billion yuan.

The rapid development of township and town enterprises is one of the great achievements of the rural reform.

First, the development of the township and town enterprises has changed the unitary rural economic structure, thereby advancing the readjustment of overall rural economy. The output value of these enterprises in 1984 accounted for 34 percent of the output value of the total product of rural society. The proportion of the GVAO in the output value of the total product of rural society dropped from 74.2 percent in 1980 to 66.1 percent in 1984; the output value of the secondary and tertiary industries rose from 24 and 1.8 percent, respectively, in 1980 to 30.2 and 3.7 percent in 1984. Profound changes also took place in the rural employment structure. More than 52 million people were employed in these enterprises in 1984. It is estimated that another more than 10 million people will be added to the employment ranks this year.

Second, while developing themselves, the township and town enterprises adopted such measures as "supplementing agriculture with industry" and "promoting industry with agriculture" to effectively support agricultural production and increase the peasants' income. During the first 4 years of the Sixth 5-Year Plan, these enterprises provided 5.1 billion yuan in funds for agriculture. This figure was equal to 300 percent of the capital construction investment in agriculture, animal husbandry, and fishery furnished by state revenues for the same period; township and town enterprises also extensively developed various services involving before and after production processing centered on agricultural production, such as processing, storage, and transportation of farm produce and sideline products, thereby transforming agriculture toward a large-scale commodity economy. Furthermore, these enterprises are an important way for the peasants to increase their income. During the first 4 years of the Sixth 5-Year Plan, the peasants earned 76.5 billion yuan distributed by these enterprises, averaging 27 yuan per person a year and accounting for 54 percent of the peasants' averaged increased income a year.

Third, the development of township and town enterprises not only increased state financial revenues but also alleviated the state's financial burden in the countryside. During the first 4 years of the Sixth 5-Year Plan, these enterprises delivered 22.8 billion yuan in taxes to the state at an average annual growth rate of 37 percent; from 20 to 30 percent of after-tax profits each year was being used for rural cultural, educational, public health, and other public welfare projects, and township and village administrative expenses at an accumulated total of 15.8 billion yuan in the last 5 years.

Fourth, the development of township and town enterprises also brought about ongoing changes in the layout of China's conventional industries and established new-type urban and rural relations. In recent years, these enterprises have made inroads into the cities by exporting labor service and in the form of repair service. In 1984, more than 5.8 million workers and staff members of township and town building industries entered the cities; in the meantime, funds, equipment, and technology of urban industries also shifted toward the countryside. In 1984, the output value of township and town enterprises accounted for 17.8 percent of China's GVIO. Some of the products also accounted for a considerable proportion among similar professions and trades throughout the country, for example clothing output accounted for approximately one-half and the output value of building materials accounted for 53 percent in the country. The past pattern of urban-rural barriers were broken down as a result of the rapid development of township and town enterprises, a new-type relationship integrating urban with rural areas and industry with agriculture to infiltrate and promote each other is taking shape. At the same time, many new-type rural market towns have sprung up vigorously. At present, there are more than 6,600 rural market towns throughout the country, an increase of more than 4,000 over 1980.

12662/9738
CSO: 4006/648

ECONOMIC MANAGEMENT

ANHUI'S TOWNSHIP, TOWN ENTERPRISES MAKE BREAKTHROUGH

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 28 Dec 85 p 1

[Article by Gu He [6253 7729]: "Anhui's Township and Town Enterprises Score Breakthrough in Five Areas This Year by Concentrating on Improving Economic Results and Giving Priority to Household-Run and Jointly Operated Enterprises"]

[Text] Anhui Province's township and town enterprises have made a new breakthrough in five areas this year by giving priority to household-run and jointly operated enterprises, concentrating on improving economic results and upholding the orientation of development by basing themselves on agriculture and serving it.

1. A new breakthrough in developing household-run and joint household-operated enterprises. By the end of November, the number of Anhui's household-run and joint household-operated enterprises increased from more than 363,000 last year to more than 790,000 with an output value of 3.5 billion yuan, which was more than double that of the same period last year, and the proportion of their output value in township and town enterprises rose from 30 percent last year to 44 percent. Township and town enterprises in some poor mountainous areas also developed rapidly by running household-run and joint household-operated enterprises. In places where the household-run and joint household-perated enterprises had an early start, one or several products are now being produced in a village or a township thereby gaining the upper hand in mass production by linking different areas together and enhancing competitiveness.

2. A new breakthrough in developing and utilizing resources by seizing upon "agriculture." Various localities have persisted in following the road of "growing, breeding, and processing" and based themselves on agriculture and serving it. Giving priority to effective processing of farm produce has become the backbone force of township and town enterprises, which stimulated fairly rapid development of those processing industries centered around farm produce and sideline products, forestry and animal husbandry products, and native and specialty products. The output value from processing farm produce this year in Fuyang and Huizhou prefectures rose from 13 percent last year to about 20 percent, respectively, in relation

to the output value of the township and town enterprises. Considerable progress has also been made in the meantime in the development and utilization of resources. It is estimated that by the end of this year, Anhui's coal output will reach 2.5 million tons, and cement output will reach 2 million tons, more than doubling and increasing more than 300 percent, respectively, over last year; marble output is expected to reach 35,000 cubic meters, an increase of 70 percent over last year.

3. A new breakthrough in organizing the shift of labor force and in the development of tertiary industry. At present, 580,000 peasants in Anhui Province are engated in commerce, catering and service trades, and transport business with their share of the total number of workers and staff members in the rural and township enterprises rising from 17 percent last year to 20 percent. It is estimated that by the end of this year the output value of township and town tertiary industry will reach 1.83 billion yuan, accounting for approximately 20 percent of the gross output value of township and town enterprises, more than doubling that of last yemr. More than 1.3 million peasants in Anhui Province have settled down in small market towns and run businesses and operate factories there. The peasants in the suburban districts in particular have energetically organized commerce and catering and service trades by taking advantage of the labor force there, thereby gradually becoming a crack force in tertiary industry in the cities and a dominant force in competing with state enterprises.

4. A new breakthrough in strengthening lateral relations and in spreading urban industrial products toward township and town enterprises. With the strengthening of lateral-relations, an industrial ring with the cities leading the townships and the townships supplementing the cities is gradually being established throughout the province. The province now has more than 2,400 projects of coordinated operations between township and town enterprises and establishments both inside and outside the province, drawing in more than 90 million yuan in funds. The output value of proliferated products has increased from 40 to 50 million yuan in the past to more than 300 million yuan. More than 2,000 of these enterprises have gradually developed into satellite factories of urban industrial enterprises with part of the raw materials and the marketing of their products now being included in state planning.

5. A new breakthrough in the work of importing, developing, and training personnel. Anhui Province has imported somewhat more than 3,400 qualified personnel this year through multiple channels and trained nearly 50,000 persons of various categories on different occasions. Besides training nearly 3,000 factory directors, managers and accounting and statistical personnel in an organized way, the province has also sponsored three training classes for leading cadres above the county and bureau level, thereby improving the quality of personnel in enterprises and managerial departments to develop township and town enterprises faster and even better.

12662/9738
CSO: 4006/648

FINANCE AND BANKING

BANK OF CHINA'S NEW RESPONSIBILITY

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese 4 Oct 85 pp 29-30

[Article by Director Wang Deyan [3769 1795 5888] of the Bank of China: "Face the World and Serve the Four Modernizations; Bank of China Confronts New Historic Mission"]

[Text] The Bank of China is China's foreign exchange bank. It manages China's foreign reserves, handles international receipts and expenditures, aids foreign trade development and engages in many other aspects of international finance. By diligently performing its professional duties, it has won itself an excellent reputation in international circles. Currently, the Bank of China is an important window to the world and by implementing the open door policy it is shouldering a historic mission growing in importance by the day.

In order to facilitate the open door policy, the State Council decided in March of 1979 to declare the Bank of China an economic entity directly under the jurisdiction of the State Council. In the 6 years since, the Bank of China has worked within the guidelines of the financial policy of the nation and party by actively raising and utilizing foreign reserve funds to support national projects and technological transformation. The economic benefits are obvious as innumerable industries are expanding. From the end of 1978 until the end of 1984, the Bank of China's total funds increased from 38.7 billion RMB to 200.3 billion RMB. Domestically, offices increased from 58 to 261 and employees from 4,000 to 16,000. Overseas organizations belonging to the Bank of China and the Bank of China Group increased from 184 to 286, and employees increased from 6,000 to 10,000. By the end of last year, overseas agents for the Bank of Chian grew to 3,301 branches of 1,185 banking institutions in 150 countries. From its traditional international accounting services, the Bank of China has developed into a major commercial bank, also offering investment management, leasing, credit and advisory services as well as a multitude of other foreign exchange bank services.

What kind of historic mission will the Bank of China be confronting as China begins the Seventh 5-Year Plan next year? It can summarized in a sentence: "Face the world and serve the four modernizations." With this in mind, the Bank of China will increasingly stress the following three functions:

The first is to raise foreign exhcnage. According to the national plan, while we manage our foreign reserves, adequate foreign exchange must be raised on international money markets for investment in the four modernizations. The Bank of China now maintains regular monetary transfer relations with 220 banks worldwide, thus allowing funds to be transferred whenever necessary. This kind of close professional relationship is a dependable foundation on which to raise foreign exchange. Over the last several years the Bank of China has signed several credit agreements worth nearly $10 billion. In the last 2 years our bank, along with Japan and West Germany, has issued three sets of public bonds. As the four modernizations proceed, our foreign exchange needs will greatly exceed their present level, so that the task of raising foreign exchange will steadily increase in importance for the Bank of China. Actually the Bank of China is considered to have excellent credentials for raising money on international markets. This is because during its long history, the Bank of China has enjoyed a fine reputation; it also has a core of talented specialists and has many years of fund-raising experience. The organizational network is extensive, its communications channels are broad, and it also understands the situation on international financial markets. The Bank of China will actively enter international financial markets. The Bank of China will actively enter international money markets to raise foreign exchange for the nation. We will diligently complete this honorable mission.

The second function is as a go-between in opening economic relations with other nations and as a promoter of cooperative efforts. The Bank of China has good overseas communications lines, its contacts are broad and its overseas branches have innumerable commercial clients. When foreign representatives arrive, we are consequently quite familiar with their business affairs and thus can introduce the better ones to domestic enterprises for cooperative efforts. By letting the Bank of China act as a go-between, apprehension on both sides will be diminished and confidence in cooperation strengthened. Furthermore, it will be easier for both parties to obtain financial aid from the Bank of China. The Bank of China can also utilize its experience and knowledge of international relations to offer advisory services for joint efforts. To meet the needs of our development, in recent years the Bank of China has stressed contact with foreign banks and businesses to encourage investment partnerships for domestic enterprises, the formation of joint investment groups or joint capital enterprises. Examples of these are the Shanghai People's Automobile Corp., the Ping Shuo An Tai Bao Lu Tiancoal mine, and the China Worldwide Leasing Corp. In the next several years the Bank of China plans to cooperate extensively with even more friends in the international financial and business world. The form of this cooperation will vary greatly, from continuing joint investment efforts inside of China, to joint ventures in other countries as well as joint resource and industrial development projects. The Bank of China is actively searching out new avenues for cooperation with all enthusiastic friends of the China market. We willingly stake our reputation on the promotion of joint capital undertakings.

The third function is as a domestic information linchpin. To fully open up toward the world and advance the four modernizations, many foreign and domestic organizations and businsses urgently need information to comprehend both domestic and foreign economic, trade, and financial trends. The Bank of China is the nation's only integrated economic department able to furnish a broad range of information, including credit ratings for both foreign and domestic clients, situations on financial markets, interest-rate trends for various currencies, the ins and outs of international investment, etc. Currently, the bank's branches and agents in London, New York, Hong Kong, Tokyo, and Paris have created special information sections or hired information specialists and we have signed trust and advisory agreements with more than 40 foreign banks. The Bank of China is selecting a group of large foreign banks to be information contacts for us in America, Japan, the FRG, England, Italy, France, Canada, Switzerland, Hong Kong, and other countries. They will provide us with the necessary information at all times. We welcome all foreign and domestic customers to fully utilize the Bank of China's information network: We will provide you with excellent service.

To bring to fruition the three functions mentioned above, in the next several years the Bank of China will expand its organizational network in the major financial and trade centers. We will also accelerate the training of specialists and will continue expanding and improving the quality of our professional services. We will also do all we can to make the Bank of China a modern, professionally managed national foreign exchange bank that can face the world and serve the four modernizations. This is the historic mission confronting the Bank of China and we will make every effort to fulfill this mission.

13030/9738
CSO: 4006/243

FOOD, GARMENTS, CONSUMER GOODS 'TOP PRIORITIES'

OW031933 Beijing XINHUA in English 1559 GMT 3 Mar 86

[Text] Beijing, March 3 (XINHUA)--Production of consumer goods and other products of light industry will increase at an average annual rate of eight percent through 1990, a senior official said today.

Vice-Minister Wang Wenzhe of light industry said "food, garments and consumer durables are the top priorities" in the ministry's current Five-Year Plan.

Speaking at a national conference here on light industry production, Wang said the three priorities would constitute more than half of all light industry production by 1990, up from 40 percent in 1980.

Wang predicted that the total output value of the enterprises under his ministry would reach 231 billion yuan by the end of 1990, a 47 percent increase over 1985 and 146 percent over 1980.

But, he said, "while developing the size of our industries' output, we must pay attention to quality."

For example, he said, by 1990 the quality of China's three leading bicycles--"Phoenix," "Forever" and "Flying Pigeon"--"should be as good as the British Raleigh."

And, he said, "people should be able to expect their refrigerators to last eight years rather than the current four or five."

Wang said he expected 1,000 new products to be developed during the plan period "to meet growing demand."

/12858
CSO: 4020/235

INDUSTRY

PETROCHEMICAL INDUSTRY REORGANIZED

Beijing BAN YUE TAN [SEMIMONTHLY TALKS] in Chinese 10 Oct 85 pp 42-43

[Article by Zhong Shiyan [6988 1395 6056]: "China's Soaring Petrochemical Industry in Reform"]

[Text] The petrochemical industries in a number of developed countries around the world went through a period of great prosperity in the 1960's but have now fallen on hard times. China's petrochemical industry, however, has prospects as bright as the shimmering morning sun. It is currently following a soaring route of reform, new openings, and development.

People cannot forget that in the dark period of old China, the nation's expansive lands were a market that was a dumping ground for "foreign oil." China's own petrochemical industry was nonexistent. After the establishment of new China, China's petrochemical industry was guided by the CPC. Now, after 35 years of difficult struggles, the industry has gone from nothing to something, from small to large. Continuous development and improvement has produced a fairly complete industrial system that includes refining, petrochemicals, synthetic fibers, and chemical fertilizers. The industry has made a definite contribution to socialist construction in China. In February 1983, the CPC Central Committee and the State Council approved the establishment of the China Petrochemical Corp., in order to improve the use of petroleum resources, to change the former system of uncoordinated management, to improve multipurpose utilization, to increase the degree of processing, and to obtain better economic returns. The establishment of this corporation not only is a major event in China's economic reforms, it also indicates that China's petrochemical industry has entered a new period of development.

The China Petrochemical Corp. now has more than 40 large-scale production and construction enterprises. More than 10 enterprises are run by colleges, institutes, or schools, and have a relatively solid economic and technical foundation. Since establishment of the China Petrochemical Corp. it has fimrly adhered to the policy of "reform, new openings, and development," and has emphasized the improvement of economic returns. By striving to advance reforms on all fronts and quicken the pace of development in petrochemical production and construction, the corporation in 1984 produced total industrial value of 27,437,000,000 yuan, an increase of 9.7 percent over

1983. Taxes and profits were 11.84 billion yuan, an increase of 19 percent over 1983. It fulfilled a year early the goal that originally had been set for 1985, of reaching the "top rank." Seven key state construction projects, including the three 300,000-tons ethylene projects at Daqing, Qilu, and Yangzi, and the 200,000-tons synthetic ammonia projects at Zhenhai and Urumqi, have progressed comparatively quickly. In October of last year, the State Council also approved a "Program of Further Reforms and Increase of Economic Returns" for the Petrochemical Corp. This program has projections up to 1990, when the corporation's total industrial output, production of primary products, sales revenue, and taxes and profits all will be double the levels of 1980. In 1990, China's petrochemical industry will show a new face to the world's petrochemical industry.

As of this year, petrochemical production has continued to maintain continuous, steady, and coordinated development. In the first half of the year, total industrial output value was 15.1 billion yuan, an increase of 12.9 percent over the same period in the previous year; 6.76 billion yuan in taxes and profits were realized, an increase of 19.4 percent over the same period in the previous year; 5.31 billion yuan in taxes were turned over, an increase of 14.8 percent over the same period the previous year. If these trends continue, the total in taxes and profits for the year will exceed the original goal of 12.5 billion yuan and will reach 13 billion yuan. This will mean that the objective to be struggled for by 1987 in the present reform program will be reached 2 years early. The progress on the seven key petrochemical projects under construction has been relatively rapid. At present, aside from the three ethylene projects that are proceeding according to plan at Daqing, Qilu, and Yangzi, the large chemical fertilizer project at Zhenhai on 2 June produced urea that was up to standard, and during July the large chemical fertilizer project at Urumqi carried out trial runs. The petrochemical industry has also advanced in strengthening cooperation with foreign interests. "Sun Oil," "Sino-Kang," and other joint investment projects continue to be established, thus expanding the scope of import-export flows and economic and technical exchange with foreign petrochemical firms. In January of this year, the State Council approved the transfer of organizations concerned with domestic petroleum product sales from the Ministry of Commerce back to the China Petrochemical Corp. By doing so, the integration of industry and trade, and of production and sales, has been further advanced.

China has comparatively rich oil and gas resources. It also has a vast domestic market with which no other country can compare. These are the important bases for the development of China's petrochemical industry. Although China's petrochemical industry still falls short of the petrochemical industries of the world's advanced countries, it has gained new vitality since the 12th CPC Congress called on the entire country to carry out thorough economic reforms and to speed the four modernizations. The petrochemical industry will make even greater contributions in the course of implementing the main tasks and objectives set by the 12th CPC Congress.

12994/9738
CSO: 4006/246

CHINA TO EXPAND BUILDING MATERIALS INDUSTRY

OW240908 Beijing XINHUA in English 0856 GMT 24 Feb 86

[Text] Beijing, 24 Feb (XINHUA)--The development of China's building materials industry this year is to focus on quality, energy consumption and variety, a senior official said during a national meeting on this industry now under way here.

Lin Hanxiong, director of the State Bureau of Building Materials, said that the construction of large and medium-sized cement works is the priority for developing building materials. According to him, China is to intensify its efforts to turn out cement-processing equipment with a daily capacity of 1-2,000 tons and plans to cooperate with foreign countries for such equipment with a daily capacity of 4,000 tons.

By 1990, he said, China will produce 100 million tons of high-quality cement, accounting for 60 percent of the total cement production.

On plate glass production, the director also revealed that a float process production line with a daily capacity of 700 tons is planned to be built in collaboration with foreign enterprises. And with its completion, it is planned to turn out nearly 20 million cases of float-processed plate glass of a quality equal to the advanced international level by 1990, he added.

Ling stressed that reduction of energy consumption should be the top priority while expanding production. He said that the energy consumption for producing cement and plate glass should be reduced by at least 1 percent.

Meanwhile, sources from the bureau said that about 400 officials and experts participating in the meeting are discussing a series of technological policies governing the production of building materials, including how to develop new-type materials and ceramics.

With the growing construction both in urban and rural areas, the market demand for building materials is increasing rapidly. Some specialists estimate that for new-type materials alone, the potential marketing volume could be over several hundred million yuan-worth.

Last year's total output value of building materials reached 34 billion yuan, an 18.5 percent increase over 1984's 28.7 billion yuan. And production of major types of materials overfulfilled the targets set for the period, with the output of cement reaching 142 million tons and plate glass, 56 million cases.

/9604
CSO: 4020/231

INDUSTRY

ZHEJIANG TIGHTENS CONTROLS OVER SCRAP IRON, STEEL

Hangzhou ZHEJIANG RIBAO in Chinese 14 Oct 85 p 1

[Article by Chen Jie [7115 2212]: "Zhejiang Reforms System of Managing Scrap Iron and Steel"]

[Text] Zhejiang is reforming the present system of managing scrap iron and steel. Beginning in 1986, a new system will link the allocation of steel to the receipt of scrap iron and steel. Supplies, recycling, and conservation all will be managed by linking the allocationof steel to the receipt of scrap iron and steel, according to an enterprise's place in the planning system, and the channels of distribution for steel. This new method is the result of study and of a resolution passed by the Zhejiang Conference on Steel Allocation Tied to Scrap Iron and Steel Recycling, which was recently convened by the provincial economic planning committee.

Scrap iron and steel are items in state planning. In Zhejiang, more than 300,000 tons of iron and steel scrap is available, of which 280,000 tons are recycled and 160,000 tons are turned over to the state and to the province. In recent years, following the advances in industrial and agricultural production, the shortage of iron and steel scrap has grown steadily worse. In some places, units have looked only at the economic interests of the locality or the unit and have held back from turning in this resource. They have taken the supplies of iron and steel scrap that they should have turned in and have used them in trading for steel on their own. Some have kept this resource to themselves and have used it in small electric furnaces to smelt steel or in small cupola furnaces to smelt iron. This not only wastes materials, it also wastes energy. Therefore, logical relationships are very important in the reform of the system of managing scrap iron and steel. This conference determined that starting next year, at the same time that the province sets a plan of steel allocations, the plan will also stipulate the scrap iron and steel that is to be turned in. Those units that fail to meet the quota set for recycled scrap will have their steel allocation reduced by 1 ton for every ton of scrap that they are short. Those units that meet or exceed their scrap iron and steel quota will receive appropriate rewards.

12994/9738
CSO: 4006/246

SULPHURIC ACID MARKET EXPECTED TO IMPROVE IN 1987

HK241317 Beijing CHINA DAILY in English 24 Feb 86 p 2

[Text] China's sluggish market for sulphuric acid, caused mainly by stockpiles of chemical fertilizer since 1984, is expected to become more lively next year, according to the newspaper ECONOMIC INFORMATION.

In recent years, the supply of chemical fertilizers has far exceeded market demand because of excessive imports and haphazard domestic production many chemical fertilizer businesses have been forced to cut production or cease operation. Stockpiles and over-production of chemical fertilizers have caused a serious slump in sales of sulphuric acid, one of the major raw materials in fertilizer.

Phosphate fertilizer businesses across the country consume about 60 percent of the country's total output of sulphuric acid each year. But last year, the phosphate fertilizer industry used 1.5 million tons less sulphuric acid than in 1984.

Sales of fertilizer have shown no signs of increase on domestic markets this year. As a result, the sulphuric acid industry will continue to suffer from a sales slump, the newspaper predicted.

However, the situation is expected to take a favourable turn by spring 1987, due to this year's smaller imports of chemical fertilizer, the closing down of some local businesses and the government's policy of encouraging farmers to use fertilizer, the newspaper predicted. The government also plans to develop new varieties of chemical fertilizers, which also should mean a larger consumption of sulphuric acid next year. The acid is also expected to gain additional sales next year from the development of the country's petrochemical industry, the article said.

Sulphuric acid is also a major raw material in the making of detergents. Production of detergents is expected to increase by about 21 percent this year. More than 770,000 tons of sulphuric acid will be used by the industry.

According to a state plan, production of titanium white, a pigment, will also bring a need for large quantities of sulphuric acid in the next 5 years.

Chemical fibre and iron and steel industries, major sulphuric acid consumers in China, are also expected to enjoy a production boom this year.

The Jinshan and Yizheng chemical fibre factories, expected to go into operation shortly in Jiangsu Province, will consume 170,000 tons of sulphuric acid this year.

Baoshan Iron and Steel Complex plans to use 22,000 tons this year, and the consumption will jump to 40,000 tons by 1990.

/9604
CSO: 4020/231

BRIEFS

GUANGXI DEVELOPS NONFERROUS METAL INDUSTRY--Nanning, February 21 (XINHUA)--The Guangxi Zhuang autonomous region in South China will introduce more foreign funds in the next five years to develop its nonferrous metal industry. Local officials said here today that Guangxi is hoping to set up joint ventures and introduce foreign technology from countries such as Britain, France and Federal Germany to exploit its rich resources of nonferrous metals. The region has proven reserves of 14 nonferrous metals, and its reserves of tin are the biggest in China. Reserves of antimony, silver and bauxite are also among the largest in the country. The projects the region plans in the next five years include an aluminum factory with an annual production capacity of 400,000 tons of aluminum and a smelter which will produce 12,000 tons of tin and 50,000 tons of zinc every year. To provide energy for the development of its nonferrous metal industry, Guangxi also plans to build 10 hydroelectric power stations. [Text] [Beijing XINHUA in English 0704 GMT 21 Feb 86 OW] /12858

PRC PRODUCES SPARE PLANE PARTS--Beijing, February 25 (XINHUA)--China has produced about 800 spare parts for foreign plane manufacturers since 1980, according to today's ECONOMIC DAILY. These include hatches, ailerons, and water tanks, made by the China National Aerotechnology Import and Export Corporation. They were produced for companies in the United States, Britain, France, the Federal Republic of Germany, Canada, and Italy, including Boeing and General Electric of the United States. The daily said in 1985 China signed contracts with foreign airplane manufacturers for the production of spare parts valued at 25 million U.S. dollars. [Text] [Beijing XINHUA in English 1136 GMT 25 Feb 86 OW] /12858

JIANGNAN YARD TO BUILD SHIPS--Shanghai, February 27 (XINHUA)--The Jiangnan shipyard in Shanghai will build four cargo ships with computerized engine rooms for the Chinese-Polish Shipping Joint-Stock Company, under a contract signed here Tuesday. These 18,000-ton multi-purpose vessels will be delivered by October 1988. The Jiangnan shipyard, one of the largest of its kind in China, is building another two computerized 24,000-ton automobile carriers for a Federal German company for delivery June 1988. Each carrier can load 3,600 cars. The shipyard has built and exported 13 vessles totalling 161,000 tons over the past five years. [Text] [Beijing XINHUA in English 1248 GMT 27 Feb 86 OW] /12858

NEW STEEL CASTING TECHNOLOGY DEVELOPED--Beijing, Febrary 27 (XINHUA)--China has developed its first double pass horizontal continuous steel casting machine and has received approval by the Ministry of Metallurgy, it was reported here today. A ministry official said the horizontal continuous casting technology, a new technology now being developed around the world, is new to China. This first machine meets international standards in its technological processes, equipment and automation. The computer controlled machine was developed by the Ma'anshan Iron and Steel Company in less than three years as a major development project for the Sixth Five-Year Plan period, 1981 to 1985. The ministry official said that the machine, able to produce 50,000 tons of 80mm diameter round blooms a year, was of great practical significance to medium-sized and small steel works in China, especially in the technical transformation of special steel and seamless steel tube. The machine will be produced in batches as a mature, universally applicable model in China. [Text] [Beijing XINHUA in English 1513 GMT 27 Feb 86 OW] /12858

BAOGANG BEGINS PRODUCTION--(XINHUA)--In the first month of trial production at Shanghai's Baoshan Steel Mill, more than 260 heats of steel were produced. Steel production exceeded 75,000 tons, all of which was up to standand quality. The No 1 converter at the Baoshan Steel Mill began production on September 20, and the No 2 converter also began trial production 6 days later. During this first month, production from these two 300-ton converters was normal, and at peak times one shift could produce 7 heats of steel. The average amount of iron and steel materials consumed by each heat dropped to below 1,110 KG, reaching the most advanced domestic standard. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 21 Oct 85 p 3] 12994/9738

ROBOT WELDER WORKING AT PLANT--Harbin, 24 Feb (XINHUA)--China's first arc-welding robot is working well at an automobile plant in this capital of Heilongjiang Province. Manufactured jointly by the Harbin Engineering University and the state-owned Fenghua Machinery Plant over the past 2 years, the 1.6-meter-high, 750 kg robot is able to follow some 20 orders. Tests over the last month have shown that it can do skilled work satisfactorily. Liang Sili, chief engineer of the Ministry of Astronautics, told XINHUA at an appraisal meeting last Friday that robots can replace workers in conditions of high temperature and noise. He said that his ministry will manufacture batches of robot welders. China has listed robot research and manufacture as key items in the seventh 5-year plan (1986-1990). It has more than 20 robot research institutes and development centers which have manufactured 100 robots since the early 1970s, including a robot that can work under water. [Text] [Beijing XINHUA in English 1049 GMT 24 Feb 86] /9604

ZHEJIANG INDUSTRIAL OUTPUT VALUE--Hangzhou, 3 Feb (XINHUA)--Zhejiang, one of east China's more developed provinces, has more than doubled its annual industrial output value in the last 6 years. Local officials said here today the figure reached over 44.1 billion yuan (U.S.$13.8 billion) last year, up 134 percent increase since 1980. They attributed the jump to greater attention to such light industries as refrigerator manufacturing, development of industrial enterprises in rural areas, increased quality--and resulting increased demand for--silk and other goods, and development of new industrial products. [Text] [Beijing XINHUA in English 0902 GMT 3 Feb 86] /9604

CSO: 4020/231

PUBLIC BIDDING INTRODUCED IN CAPITAL CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Dec 85 p 3

[Article: "Capital Construction Projects Adopt Public Bidding System To Cut Down on Cost and Time"]

[Text] Beijing (XINHUA)--Information provided by the State Economic Commission indicates that the reform resulting in the adoption of the public bidding system has given impetus to the surging momentum of competing to raise economic results on China's capital construction front.

At the moment, this reform has developed from small-scale residential construction projects to large and medium industrial and transport projects and public bidding in construction has expanded to include designing and individual projects, and the scope of public bidding has extended from a single department or region to transdepartmental and transregional public bidding.

Public bidding was invited for the 500,000-volt direct-current transmission-transformer line project more than 1,000 km long between Shanghai and Gezhouba. More than 20 power transmission-transformer companies across the country were attracted to enter into this competition which is divided into 7 sections and 2 major projects. Some of these companies making full use of their own equipment asked less for equipment fees; some proposed to advance materials so that construction of key sections could be started in time; some tapped their internal potential in depth to cut down management expenses and reduce cost; all of them have tried every means to put their own advantages into play. The winning bid submitted by nine companies in the final round was 27 percent lower than the original budgetary estimates, thus making it possible to save 67 million yuan in investment. Between January and September this year, the state building construction enterprises put in public bidding for more than 4,600 residential construction projects covering a construction area of 12 million square meters, more than 10 percent of the total construction area. The cost of these projects is approximately 6 percent lower than the general budgetary estimates and the construction time is shortened by about 20 percent.

Public bidding for designing is being carried out gradually in the wake of public bidding for construction. Successful attempts have also been made to make policy decisions on construction projects related to both competitive selection of projects and opening of sealed bids at fixed locations. The order of priority for the construction of the three large alkali factories in Shouguang of Shandong, Nanbao of Hebei, and Lianyungang of Jiangsu has been arranged following public bidding this year, as a result, the total contracted investment for these three projects came to more than 375 million yuan less than that originally proposed in the budgetary estimate, and conditions for construction have also been further improved.

12662/9365
CSO: 4006/511

CONSTRUCTION

DEVELOPMENT OF URBAN, TOWNSHIP HOUSING CONSTRUCTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 17 Dec 85 p 1

[Article: "Accelerate Urban and Township Housing Construction, Improve Residents' Living Conditions; Houses Covering More Than 100 Million Square Meters in Floor Space Will Be Completed This Year; New Houses of 750 Million Square Meters in Floor Space Will be Built During Seventh 5-Year Plan Period"]

[Text] Beijing (XINHUA) 16 December--This reporter has learned from the Ministry of Urban and Rural Construction and Environmental Protection that China's housing construction will continue to keep up with the excellent momentum of development this year and it is estimated that about 120 million square meters in floor space will be completed in the whole year and that the per capita living space in cities and towns is expected to reach approximately 5 square meters. So far, China's new houses in cities and towns during the Sixth 5-Year Plan period total 620 million square meters in floor space.

During the Sixth 5-Year Plan period, China's governments at all levels and enterprises and establishments have attached much importance to housing construction, with the state and the collectives allocating large amounts of funds for use in construction. Special loans extended by the Construction Banks in various localities alone totaled 3.34 billion yuan.

China has also attached importance to developing commercialized housing. The Housing Construction and Development Corp. of China and its 102 local companies built a total of 6 million square meters of commercialized housing in 1984, the construction area this year will cover 18 million square meters, of which 9.76 million are expected to be completed according to plan. The commercialized houses covering 3.8 million square meters in floor space completed between January and June have all been sold. At present, housing sales are developing from sale with subsidy toward sale to individuals with payment in full.

During the Seventh 5-Year Plan period, China will accelerate housing construction in cities and towns by promoting commercialized housing and restructuring the housing system. We should make efforts to build more houses next year by steadily giving play to the activism of the state, the localities, enterprises, and individuals. We should also encourage individuals in cities and towns to build houses with the government providing them conveniences and assistance.

It is learned that by 1990, new houses in cities and towns are expected to reach 750 million square meters in floor space, an increase of 130 million square meters over the Sixth 5-Year Plan period; by then, the average per capita living space will reach 6 square meters.

It is understood that while reforming the present housing system and promoting commercialized housing step by step, commercializing of office buildings, shops, standard factory buildings and structural components, and other building products should also be promoted step by step. We should promote compensation use of municipal facilities and gradually charge reasonable fees for use of public utilities so as to accelerate the development of urban infrastructures.

12662/9365
CSO: 4006/511

JIANGSU SPEEDS UP CONSTRUCTION OF KEY PROJECTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Dec 85 p 1

[Article by reporter Gao Feng [7559 1496]: "Jiangsu Accelerates Construction of Key Projects--Construction of the 4.6 Billion-Yuan Yangzi Ethylene Project Stepped Up"]

[Text] Nanjing (XINHUA) 7 December--Construction of the Yangzi ethylene project, a 6.7-billion-yuan large modern petrochemical construction project, is being stepped up at present in the northwestern suburb of Nanjing City.

This key project listed under the Sixth 5-Year Plan comprises 10 sets of large equipment for petrochemical production including ethylene equipment with an annual capacity of 300,000 tons, refined p-xylene acid equipment of 450,000-ton capacity, and arene combining equipment of 450,000-ton capacity, capable of processing 3 million tons of crude oil and producing 2,311,000 tons of various kinds of petrochemical products. By the end of October, 78 percent of the fiscal investment plan had been fulfilled, and it is expected that the construction plan for the whole year will be overfulfilled.

By national key projects, we mean construction projects included in the state construction planning having a great impact on national economic development. There are 169 construction projects of this category listed in China's Sixth 5-Year Plan, of which 13 with a total investment of 10.5 billion yuan are in Jiangsu Province.

The No 1 branch factory of the Yizheng Chemical Fiber Industrial Combined Corp. with a total investment of more than 2.48 billion yuan was completed and turned over for production during the first half of this year, construction of the No 2 branch factory has also started. After this key state construction project is completed and put into operation in 1987, it will produce 240,000 tons of polyester short fiber and more than 350,000 tons of polyester slices annually. After completion, the abovementioned two projects will yield an annual output value of 7 billion yuan.

The Chinese Government has always paid attention to transport and energy construction. Of the 13 national key projects in Jiangsu Province, 7 come under this category. The Lianyungang expansion project and the Nanjing Xinshengxu harbor construction are both progressing smoothly. The construction of three berths for 15,000-ton-class ships at Xinshengxu and six deepwater berths for 10,000-ton-class ships at Lianyungang to be completed this year has been completed and put into operation as planned and groundwork for ongoing expansion projects at these two harbors has also been laid. The project to expand the Xizhou railway hub has been started, of which the renovation of the highway-railway overpass and the locomotive section is expected to be completed at the end of this year. One of the two 200,000-kw power-generating units under construction and expansion of the Xuzhou Power Plant was completed and put into operation and the other one is expected to be hooked up for power generation within this year. After these transport and energy projects are completed, they will play a tremendous role in promoting economic development in Jiangsu Province and areas in the lower reaches of the Chang Jiang.

12662/9365
CSO: 4006/511

CONSTRUCTION

SHANXI DEVELOPS COAL-CONSUMING INDUSTRIES

OW250900 Beijing XINHUA in English 0844 GMT 25 Feb 86

[Text] Taiyuan, February 25 (XINHUA)--Shanxi province--China's leading coal producer--has a problem: since 1980 it has annually generated more coal than the country's transport system could handle.

Last year, for example, it was able to ship 130 million of the 207 million tons it mined.

But rather than limit production to what can be used within the province or shipped, provincial officials have developed thousands of enterprises that use the coal to meet China's other needs.

Over the next five years the province will accelerate investments in industries that process coal or use it for fuel while halting spending on new coal mines.

Last year alone Shanxi was able to send out two billion kWh of electricity and three million tons of calcium carbide, fertilizer, coal tar, coke and pig iron.

To increase its value to the rest of the country--and to better use its excess coal--the province has been building thousands of small iron works, calcium carbide plants and building materials factories. So far the cost has been 300 million yuan, invested by the province and by other parts of China.

About 225 small furnaces went into operation last year and another 303 are still under construction. With a total volume of 6,400 cubic meters, these furnaces are expected to consume more than four million tons of coal annually.

Officials in the provincial capital said today that expanding the iron works would help develop other industries--such as ore mining, coking, machinery, building materials and transportation. These are expected to produce between 200 and 300 million yuan a year in profits and provide 100,000 jobs.

/12858
CSO: 4020/235

GUANGZHOU SHIPYARD BUILDS MOORING PLATFORM

OW201852 Beijing XINHUA in English 1835 GMT 20 Feb 86

[Text] Guangzhou, February 20 (XINHUA)--The Huangpu shipyard in this capital of Guangdong Province completed the construction of a single-point mooring platform today and handed it over to the first commercial oilfield in the South China Sea.

A specialized petroleum equipment manufacturer, the shipyard built the key part of the platform and undertook its assembly.

With a height of 43 meters and a weight of more than 700 tons, the platform is designed to withstand the strongest hurricanes. No repairs will be needed for the next 25 years.

Used to transport oil to shore and anchor oil tankers of up to 170,000 dwt, the platform was designed by the French EMH Company. Part of the equipment was manufactured in shipyards in Japan and Hong Kong.

The owners of the platform, which was built in only five months, are the French Total Company and the Chinese Nanhai (South China Sea) Western Petroleum Corporation.

Wang Yan, general manager of the Chinese Corporation, said the platform is of importance to the production of the first oilfield--Wei 10-3--which is scheduled for June this year.

The equipment passed a check done by a group jointly formed by the China General Petroleum Industry Corporation, the Nanhai Western Petroleum Corporation, Total and EMH at the end of 1985.

/12858
CSO: 4020/235

TECHIMPORT ACCEPTS FOREIGN BIDS FOR POWER EQUIPMENT

OW251434 Beijing XINHUA in English 1311 GMT 25 Jan 86

[Text] Beijing, 25 Jan (XINHUA)--The China National Technical Import Corporation [TECHIMPORT] will purchase machinery, building materials, and generating and transmission equipment for its energy construction projects in the form of international bidding this year.

The projects include the Lubuge hydropower station in Yunnan, Beilungang thermal power station in Zhejiang, Shuikou hydropower station in Fujian, Yantan hydropower station in Guangxi and the 500 kV transmission line from Xuzhou to Shanghai.

An official from the International Tendering Company of TECHIMPORT told XINHUA that the World Bank will provide loans equivalent to nearly U.S.$1 billion for these projects.

The Shuikou hydropower station on the Min Jiang in Fujian is the biggest of these projects, with a generating capacity of 1.4 million kW in its first phase of construction. The World Bank will provide a loan for its construction.

Firms from Canada, the Federal Republic of Germany, France, Italy, Japan, Sweden, Switzerland, and the United States attended the bid-opening ceremony for the Lubuge project today, held under the auspices of the International Tendering Company. A total of 12 bids was received.

The bids were mainly for purchasing energy management systems and communications system for the project, which will use a loan equivalent to more than U.S.$140 million provided by the World Bank.

The Lubuge hydropower station, located about 200 km east of Kunming, the capital of Yunnan Province, is China's first project of its kind constructed using a World Bank loan. It will be completed in 1989 and have a total generating capacity of 600,000 kW.

/9738
CSO: 4010/31

STATUS REPORT ON PATENT LAW

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese 1 Jan 86 p 70

[Article by Wang Xidong [3769 2569 2639]: "Patent Law in Action"]

[Text] From 1 April 1985 when the "Patent Law of the People's Republic of China" came into effect on 9 September the same year, the State Patent Bureau received 9,867 patent applications, of which 6,080 applied for invention patents, 3,364 for utility and novelty patents and 423 for industrial design patents. Chinese enterprises, institutions and individuals were responsible for 6,632 applications while 3,235 were filed by foreigners.

On 10 September 1985, the State Patent Bureau held a press conference in Beijing at which Director Huang Kunyi [7806 0981 4135] announced the first batch of patent applications, including 46 applications in the invention category, 65 in the utility and novelty category and 39 in the industrial design category. Among them were 26 foreign applications and 43 individual applications.

At the same time, the State Patent Bureau has published a booklet on this batch of patent applications, another on the examination and approval procedures and a third on the application for a utility and novelty patent. They were made available for nationwide public distribution together with the announcement.

It is about these developments that the reporter interviewed Director Huang Kunyi. He said, "With the announcement of the first batch of patent applications, the implementation of the Patent Law has taken a big step forward. It shows that patent work is developing surely and steadily in China and that we have begun our own patent literature and are building up a comprehensive technical file on our own inventions and innovations, which should play an important role in the dissemination of information on inventions and the popularization of new technology."

Director Huang Kunyi said, "From now on, China's patent literature will be a new addition to the 30 million pieces of patent documents in the world collection today. We may say this is of historical significance."

He said, "New China's first Patent Law was promulgated and went into effect on 1 April this year. Earlier, on 14 September 1984, the Eighth Session of the Sixth National People's Congress standing committee decided that China should join the 'Paris Convention on the Protection of Industrial Property' in order to cooperate with the world to promote such protection. After the Patent Law took effect, many enterprises and individual overseas indicated their desire to take out a Chinese patent and considered the promulgation of the law a landmark in the history of industrial property protection in the world. Over the past few months, the Patent Bureau received over 3,000 overseas applications, evidence enough of the high level of interest abroad in the establishment and implementation of China's patent system."

He pointed out, "Judging from the number of announced patent applications, the percentage of foreign applications remains quite small, about 1.7 percent of all announced patent applications. On the other hand, about 33 percent of all applications received by the Patent Bureau comprise foreign applications. Why?"

Director Huang Kunyi provided an explanation. He said, "As we all know, the Patent Law involves foreign relations as well as being a piece of domestic legislation. It was promulgated to develop China's economic and technical exchange and cooperation with the world as well as to protect domestic invention and innovation. The publication of the first batch of patent applications was based on three considerations: (1) patent applications made a request in their applications for substantive examination and early announcement; (2) the application papers were well prepared, which facilitates processing; and (3) the applications were submitted relatively early, the bulk of them on 1 April."

China and the rest of the world follow different timetables when it comes to announcing patent applications. Elsewhere, applicants usually request a time lag of 18 months before their applications are made public. This is another reason why the percentage of announced foreign applications is so small.

Director Huang Kunyi said, "China encourages foreigners to take out a patent in China. Our regulations provide that a foreign applicant who first applied for a patent abroad after 1 October 1984 may request priority in accordance with the law when he applies for a patent in China. The signs are that the percentage of foreign applicants will increase gradually."

Director Huang Kunyi said, "The Bureau's examination department has begun to classify patent applications and is carrying out the first round of preliminary examination. Some of the invention patent applications have entered the stage of substantive review. Relevant departments in the bureau are working intensively right now."

The State Patent Bureau currently employs over 200 substantive examiners in for substantive examinations departments each looking after different technical fields. All examiners hold scientific or engineering qualifications from institutions of higher education and most have considerable practical experience and are familiar with the techniques of their own specialties.

They have also been trained in the Patent Law and the practice of patent examination. In addition, the State Patent Bureau has specifically set up a classified file for inspection.

Director Huang Kunyi said, "In most cases examiners and applicants exchange opinions in the course of examination and many applicants amend their applications in accordance with the law."

About the publication of patent applications before the bureau approves them, he said, "We announce them to give people an opportunity to object to a particular application. This is also an important way of ensuring the quality of our examination and approval process."

He said, "Often the manufacturing method of identical or similar products is being researched, produced or applied in more than one unit, so the objecting process is essential to both research and production units. Say someone wants to take out a patent on a product or process which has already been published in journals, or been manufactured successfully by another unit and applied or popularized in actual production. In this case, the objecting process must be made full use of to prevent the person from obtaining the patent he seeks. Otherwise a patent dispute may possibly arise."

Director Huang Kunyi said, "Of course, the Patent Law provides that after a patent is granted, any person who knows of any reason why the patent should have been denied may ask the Patent Review Committee to declare the patent null and void. Still, 'prevention is much better than cure.'"

Director Huang Kunyi continued, "The Patent Law provides for a 3-month objecting period, beginning with the day when the application is announced. Only if no objection is raised during this period or if the objection is found to have no merit will the bureau proceed with the decision to award the patent and present the applicant with a patent certificate. The matter will be recorded and announced. Only at this point is the application considered to have been approved and only then does the patent formally take effect. But the Patent Law and its detailed regulations give temporary protection to a patent application after it has been published or announced, that is, after the substance of the invention or innovation becomes public knowledge. No individual or unit is allowed to use the invention at will. To use it, he must pay a use fee of an appropriate amount and obtain it through technology-transfer procedures."

Director Huang Kunyi said, "Under the Patent Law, a patent application is entitled to provisional protection only after the bureau has announced or published it. To help foreign readers keep track of China's patent information, therefore, China's patent bulletin and booklet will be distributed to various nations through exchange. Also, in the interest of easy reference, the Patent Bureau will publish a digest in English of patent applications in China in order to promote the interflow of patent information. At present the Patent Bureau has established patent literature exchange relations with 14 nations and 2 international organizations." Director Huang Kunyi said that colleagues and patent experts overseas are welcome to raise objections to patent applications we have announced.

12581/13167
CSO: 4008/2047

FOREIGN FUNDS TO AID IN DEVELOPING TRANSPORT

OW211156 Beijing XINHUA in English 0857 GMT 21 Feb 86

[Text] Beijing, 21 Feb (XINHUA)--China expects to build 50 deep-water berths with foreign investment in the next 5 years, the Communications Ministry said here today. The berths will be located at the cities of Dalian in Liaoning Province, Lianyungang in Jiangsu, Qingdao in Shandong, Qinhuangdao in Hubei, Shanghai and Tianjin and at Guangzhou's Huangpu port.

Lu Xiling, director of the ministry's Planning and Statistics Bureau told XINHUA most of the foreign funds would come from preferential loans extended by the World Bank and the Japanese Government. He said other funds would come from joint ventures and direct foreign investment, although exact amounts of loans and investments will not be known until negotiations have been completed.

Some of the funds would also be used to build expressways and to asphalt and widen roads, he said.

According to Lu, the ministry spent $250 million in foreign funds during the last 5 years for new wharves at China's major ports. Among those built, he said, were a coal wharf for 50,000-ton ships at Qinhuangdao, another coal wharf for 100,000-ton vessels at Shijiu, Shandong Province, and container wharves at Huangpu, Shanghai and Tianjin.

Foreign funds to be used during the seventh five-year plan period (1986-1990) will "far surpass" the previous 5 years, Lu said.

The Chinese Government has signed letters of intent with the British and Dutch governments to jointly build wharves at Nantong in neighboring Zhejiang Province. "Studies for the projects are now under way," Lu said.

Moreover, negotiations on joint construction and management of transport facilities are being held with firms from Australia, Brazil, the United States, as well as Hong Kong. "Foreign firms investing in transport facilities will enjoy preferential terms," the director said. These include guarantees of docking fees high enough to help generate projected incomes, joint management agreements for 30 years or (?more), and income tax exemptions lasting 5 years from the opening of jointly built wharfs.

/9604
CSO: 4020/232

ECONOMIC REFORMS CUT RED TAPE IN TIANJIN

OW181328 Beijing XINHUA in English 1308 GMT 18 Feb 86

[Text] Tianjin, 18 Feb (XINHUA)--The port of Tianjin, one of the largest in northern China has increased both handling volume and profits owing to China's ongoing economic reforms.

The reforms at the port, aimed at increasing autonomy in construction, use of foreign investment and appointment of officials, have been instituted since June 1984.

Tianjin port, which has trade relations with more than 150 countries and regions, handled 18.56 million tons of cargo in 1985, up 15.2 percent over the previous year.

Profits last year amounted to 156 million yuan, an 80.5 percent increase over 1984.

Efficiency was much improved with the port handling 528 more vessels last year than the year before.

An example of cutting red tape was in the purchase and installation of an imported computer. In the past it would have taken 1 or 2 years to complete the transaction, waiting for the approval from higher authorities. Last year it took only 1 month and a half since the port had the right of decision.

Any joint venture with investment of less than U.S.$10 million can now be approved by the port authorities.

The port imported more than 300 items of loading equipment last year, replacing 37.3 percent of its old equipment.

/9604
CSO: 4020/232

BRIEFS

PREPARATIONS FOR PORT FACILITIES EXHIBIT--Shanghai, 21 Feb (XINHUA)--Preparations have begun here for the March 1987 international exhibition of port facilities. Co-sponsored by the China Ports and Harbors Association and the Lop Lee International Services Company of Hong Kong, the exhibition will offer academic seminars on modern port management and technology. Exhibits will cover loading facilities, port construction and communications equipment, navigation and technical instruments. Sponsors of the exhibition say it will use displays, models, photos and videotapes to provide information on modern port technology. [Text] [Beijing XINHUA in English 1101 GMT 21 Feb 86] /9604

FIRST SHIP BUILT IN DOCK LAUNCHED--Shanghai, 20 Feb (XINHUA)--A 39,000-dwt bulk carrier, built in a dock instead of on a building berth, was launched at the Jiangnan shipyard here today. It was China's first experiment with building such a large ship in a dock, and the aim was to ease the pressure on berths. Named "Anping No 2," the carrier is 195 meters long and 28.4 meters wide. There are already two 60,000 dwt ships being constructed on the shipyard's berths. [Text] [Beijing XINHUA in English 1839 GMT 20 Feb 86] /9604

BUILDING, EXPANDING CIVIL AIRPORTS--Beijing, 21 Feb (XINHUA)--China is building and expanding 17 civil airports, bringing the total in operation to 90, according to the Civil Aviation Administration of China (CAAC). Officials here said China completed three new airports and expanded 12 in the 1980-1985 period. Now eight airports can accommodate Boeing 747s, and Boeing 737s and Tridents can use 32 airports. CAAC officials said the projects are concentrated on the international airline hubs, provincial capitals, important economic regions and tourist attractions. [Text] [Beijing XINHUA in English 1621 GMT 21 Feb 86] /9604

CAAC DIRECTOR ADDRESSES CONFERENCE--Beijing, 24 Feb (XINHUA)--China's National Airline added nearly 100 imported jets to its fleet over the past 5 years, bringing its total number of planes to 460, an aviation official said today. Hu Yizhou, director of the Civil Aviation Administration of China (CAAC), told an ongoing conference on civil aviation here that buying the jets enabled the airline to increase its passenger seats 70 percent since 1980. This year, he said, CAAC will add 30 jumbo jets to its fleet. The planes, including Boeing 747s and 767s, were purchased primarily with money invested by the central and provincial governments. Hu said the planes have been used on some domestic routes as well as on international flights from China to Japan, Britain, France and the Federal Republic of Germany. [Text] [Beijing XINHUA in English 1637 GMT 24 Feb 86] /9604

HEILONGJIANG IMPROVES HIGHWAY TRANSPORTATION--Harbin, 14 Feb (XINHUA)--Heilongjiang, China's northernmost province, has improved highway transportation over the past year by encouraging state units, collectives and individuals to undertake the work, according to local authorities today. Now it has more than 70,000 trucks and 46,000 tractors to transport freight, as well as 2,500 passenger vehicles--an increase of up to 30 percent over 1984. Individuals own 726 passenger vehicles and 13,000 trucks. Previously, however, transportation was mainly undertaken by state units. The province opened 40 passenger routes totalling 2,500 km last year. Now 96 percent of the province's townships and 70 percent of the villages are accessible to passenger vehicles. A total of 430,000 containers were transported on the highways last year; the cities of Harbin, Qiqihar, Mudanjiang and Jiamusi have container fleets. In addition, small freight loads transported on the highways totalled 1,200 tons last year. [Text] [Beijing XINHUA in English 0710 GMT 14 Feb 86] /9604

CSO: 4020/232

END

JPRS-CEA-86-029

20 March 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-029

20 March 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Individual Enterprise Engages 16 Million
(RENMIN RIBAO, 30 Oct 85)................................ 1

Problems Caused by High Growth Rates Delineated
(Fei Heqi; ZHEJIANG RIBAO, 8 Oct 85)...................... 2

Difficult Economic Reform Problems Analyzed
(Liu Guoguang, Zhao Renwei; JINGJIXUE ZHOUBAO,
22 Sep 85)... 4

PROVINCIAL AFFAIRS

Guiding Outline for Work of Hebei CPC Committee
(HEBEI RIBAO, 15 Feb 86)................................. 10

Shanghai Faces Major Choice in Urban Development
(Shu Rong; ZHONGGUO XINWEN SHE, 23 Feb 86)................ 15

Reduction of Administrative Costs Demanded
(Tian Chuan; SHAANXI RIBAO, 25 Jul 85).................... 17

Shaanxi Urges Measures To Increase Income, Control Spending
(SHAANXI RIBAO, 27 Jul 85)................................ 18

Hubei Economic, Technological Cooperation Expanded
(Gong Dafa; RENMIN RIBAO, 22 Aug 85)...................... 20

Guangdong People's Congress Meeting Opens 19 Feb
(Guangdong Provincial Service, 19 Feb 86) 22

ECONOMIC PLANNING

LIAOWANG Reports Ministries' Plans for Reforms
(XINHUA, 12 Jan 86) 23

Qinhuangdao's Economic, Technological Development Encouraged
(Liu Xiaolu; RENMIN RIBAO, 22 Aug 85) 26

AGGREGATE ECONOMIC DATA

Shanghai Economic Statistics for 1985 Released
(WEN HUI BAO, 16 Feb 86) 29

Shaanxi's Key Market Quotations
(SHAANXI RIBAO, 25 Jul 85) 32

ECONOMIC MANAGMENT

Reform of Economic Management Organizations in Urban Centers
(He Zuo; TIANJIN RIBAO, 12 Nov 85) 34

Anhui Reviews Responsibility System Experience
(Sun Xijing, Li Jiyao; ANHUI RIBAO, 13 Feb 86) 38

Team Uncovers Tax, Finance, Commodity Anomalies
(Shaanxi Provincial Service, 15 Feb 86) 40

Briefs
Hunan Industry, Commerce 41

FINANCE AND BANKING

Tax, Financial Affairs Inspection Stipulations Issued
(SHANGYE KUAIJI [BUSINESS ACCOUNTING], 10 Nov 85) 42

INDUSTRY

Urgent Problems in Ship Welding Addressed
(Yu Weiming; ZAOCHUAN JISHU [JOURNAL OF MARINE TECHNOLOGY], No 1, Jan 86) 49

Shanxi Notice Urges Boosting Industrial Output
(Shanxi Provincial Service, 19 Feb 86) 53

CONSTRUCTION

Meeting Discusses Diversion of Huang He Water Project
(Shandong Provincial Service, 25 Feb 86).................. 54

DOMESTIC TRADE

Briefs

Beijing Commodity Sales 55

FOREIGN TRADE AND INVESTMENT

BUSINESS CHINA Analyzes Foreign Trade Situation
(Carolyn Lueng; SOUTH CHINA MORNING POST, 16 Feb 86)...... 56

Jiangsu Promotes Joint Ventures With Foreign Firms
(XINHUA, 15 Feb 86).. 58

PRC Attempts To Halt Export of Parallel Goods
(Paul Sham; SOUTH CHINA MORNING POST, 7 Feb 86)........... 59

Fujian Governor Addresses Corporation Board
(FUJIAN RIBAO, 6 Feb 86).................................. 61

Shanxi Province Sets Export Record in 1985
(XINHUA, 23 Feb 86).. 62

Shandong Reports Progress in Foreign Cooperation
(Shandong Provincial Service, 19 Feb 86).................. 63

Liaoning Reports Results From Foreign Technology Imports
(Liaoning Provincial Service, 24 Jan 86).................. 64

Briefs

Zhejiang Marine Products Exports 65
Zhejiang Import Export Freight 65
Jiangxi Exports Tungsten 65
Shanghai To Inspect Commodities 65
Shaanxi Using Investment, Technology 65
Foreign Trade Symposium 66
Carpet Export Plans 66
Export Minifairs 66
Asian-Pacific Import Symposium 67
Shaanxi Foreign Investment Increases 67

SPECIAL ECONOMIC ZONES

Arbitration of Economic Disputes With Foreigners Discussed
(Wen Guangjun; GUANGZHOU YANJIU [GUANGZHOU STUDIES],
No 3, May-Jun 85)... 68

Guangdong Meeting Reviews Special Economic Zone Work
(Mu Ye; RENMIN RIBAO, 21 Feb 86).......................... 76

Gu Mu Praises Economic Zones' Progress
(XINHUA, 15 Feb 86)...................................... 79

Joint Venture To Help Zhuhai Expand Port, Oil Supply
(HONG KONG STANDARD, 7 Feb 86)............................ 81

Shenzhen Formulates National Economic, Social Plan
(WEN WEI PO, 26 Jan 86).................................. 83

Shenzhen Signed Over 1,200 Foreign Contracts in 1985
(ZHONGGUO XINWEN SHE, 20 Feb 86)......................... 85

Economist Stresses Shenzhen's Geographical Location
(ZHONGGUO XINWEN SHE, 22 Feb 86)......................... 86

NATIONAL POLICY AND ISSUES

INDIVIDUAL ENTERPRISE ENGAGES 16 MILLION

Beijing RENMIN RIBAO in Chinese 30 Oct 85 p 2

[XINHUA NEWS AGENCY Article: "Individual Industrial and Commercial Enterprises Engage 16 Million; Provide Many Goods and Services for Rural and Urban Dwellers"]

[Text] Individual industrial and commercial enterprises employing 16 million are currently invigorating urban and rural markets, but people still complain about many inconveniences. This truism indicates there is still much room for individual industrial and commercial ventures to grow.

According to calculations of the National Business Administration, at present nearly 11 million licenses have been issued throughout the nation for individual ventures; 8.1 million of these are in rural areas. These individual enterprises have penetrated all levels of society. Though statistics are incomplete, total funds held by these individual enterprises in the first half of this year were valued at nearly 13.28 billion yuan and total business turnover was 38 billion yuan. Those engaged in the food service industry now comprise the largest number of individual ventures, but building maintenance, transport, and handicraft industries are actually increasing faster. Furthermore, an increasing number of new products and technically oriented individual enterprises are appearing on markets day after day.

A responsible comrade in the National Business Administration feels that in many places there are obvious inadequacies in "eating, maintenance, and transport," etc., and that the appropriate departments must become aware of this and actively foster policies and measures to aid and enhance the expansion of individual ventures. Also the few tax evaders, illegal businesses, and unethical entrepreneurs who are behaving in a manner injurious to the nation and consumers must be dealt with severely. At the samt time, we must quickly strengthen the appropriate administrative bodies, improve education, perfect policies and regulations, and plug up holes in the system.

13030/9738
CSO: 4006/253

NATIONAL POLICY AND ISSUES

PROBLEMS CAUSED BY HIGH GROWTH RATES DELINEATED

Hangzhou ZHEJIANG RIBAO in Chinese 8 Oct 85 p 4

[Article by Fei Heqi [6316 7729 7784]: "Why Economic Growth Rates Cannot Be Too High"]

[Text] Our economy has begun to realize a stable, continuous, and coordinated expansion. For the Sixth 5-Year Plan it has been estimated that the annual rate of growth in GVIAO exceeded 10 percent which is already higher than the required annual growth rate of 7.2 percent that would triple production by the end of the century. During the Seventh 5-Year Plan GVIAO should grow at an annual average rate of about 7 percent, a slight decline from the present overly high rate.

Why cannot the economic growth rate be so high? We have to realize that the economy must expand proportionally. The proportion is determined by our economic, productive and technological level, not by the subjective will of humans. If the rate is too high, growth will be uncoordinated. As Comrade Deng Xiaoping incisively noted: "When the growth rate is excessively high, numerous problems are created. It has a negative influence on both the reforms and the social atmosphere. Let's be a little more cautious." This is how the facts stand:

Some areas and units have unrealistically high rates of growth, blindly pursuing a "doubling of output" and doing a poor job on capital construction projects, ignoring the common good and the long-range plan, and only doing what is profitable or gives easy results in a series of half-baked engineering projects. In the end speed accomplishes nothing.

Many of the areas and units that are speeding along only talk of output and volume, overlooking quality and economic gains. This not only influences an enterprise's technical transformation and product improvement, but it also squeezes out some small-volume, low-profit producers, resulting in some serious inconveniences.

Some of these units and areas with high growth rates are blindly developing processing industries and consequently have placed a tremendous burden on basic industries by competing for resources and energy, and congesting transportation.

Excess growth is also having a negative influence on the development of cities, which is considered crucial in the restructuring of the economy. The restructuring of the economy requires a relaxed environment, but if the economy is hamstrung, the reforms will be difficult to enact. For example, because the growth rate is too high, credit is out of control, inflation has appeared, and spending money is overabundant. If this were to continue for the long run, the economy would become unbearable.

Excessively high growth rates may result in shortages of certain means of production and livelihhod. This may cause the "buyers markets" that have appeared to a certain extent following readjustment, to once again revert to "sellers markets," thus creating a sense of complacency among enterprises. Lacking pressure to reform, enterprises would not be compelled to further revise their production structures.

High-speed growth would have a negative influence on the general social atmosphere. Some areas and departments ignore general conditions, raise their targets, cut corners and pressure some small grassroots units into falsifying and exaggerating their reports. Some disguise price hikes, some market shoddy commodities and still others, by hook or by crook, through bribery and various other illegal methods, obtain raw materials and market their goods.

In a word, nothing good can be said for overly high rates of growth. Higher input and lower output are really superior to so-called high growth rates, which is really an empty platitude that ends in disaster. Have past lessons not left a deep enough impression?

We cannot recommend excessively high growth rates; not do we suggest the slower the better. The growth rate must be set at a suitable leve. The rate muet jibe with the national plan and promote stable, proportional, and coordinated growth as well as long-term continuity. Genuine high growth rates will show substantial all-around results. Excessive rates must be transformed into normal rates, no easy task to be sure, and one requiring skillful, certain handling. Even more important, we all must seek a unity of thought and action in the spirit of the National CPC Congress.

13030/9738
CSO: 4006/253

DIFFICULT ECONOMIC REFORM PROBLEMS ANALYZED

Beijing JINGJIXUE ZHOUBAO in Chinese 22 Sep 85 p 2

[Article by Liu Guoguang [0491 0948 0342], vice chairman of the State Commission for Guiding the Examinatin of Economic Management Cadres, and Zhao Renwei [6392 0086 0251]: "Several Difficult Problems Confronting Reform of the Present Economic System"]

[Text] I. The Problem or the Environment for Reform or the Economic System

The problem of what kind of environment in which the reform of the economic system should be carried out was discussed in China's economics circles as early as the end of the 1970's and the beginning of the 1980's. The new conditions prevailing since the autumn and winter of 1984 have posed it once again. Its principal causes are as follows.

1. The economic growth rate has been too fast. Based on the GVIO having increased at an average rate of 7.9 percent a year from 1979 to 1983, the 1984 growth rate increased to 14.2 percent, and that of December 1984 increased more than 20 percent over the same period in 1983. The GVIO continued its superhigh rate of growth during the first half of 1985, increasing 23.1 percent over the same period in 1984. 2. Investment and consumption expansion have intensified. Fixed-asset investment in 1984 increased 21.8 percent over 1983, and 1984 bank cash expenditures in such areas as wages and bonuses increased 22.3 percent over 1983, greatly exceeding the 12-percent national income growth rate. 3. The above-mentioned "national income overdistribution" and overheated growth have been related closely to the too rapid growth of credit and currency issue. Total 1984 bank loans increased 28.9 percent over 1983 and the money supply also increased too much, resulting in shortages of, and price rises for, some commodity goods and materials.

The reasons for the occurrence of the above-mentioned phenomena are inseparable from the characteristics of the reform transition period China is undergoing. During this period, such tendencies inherent in the old system as quantitative expansion and investment starvation still have great strength. Moreover, in the process of expanding authority, enterprise leaders have been partial to the short-term interests of staff members and workers, and the state has temporarily had trouble perfecting economic regulation and control measures, resulting in the appearance of a new consumption expansion trend. The expansion of consumption demand has certainly affected the accumulated portion of national income and, in order to satisfy investment demands and accumulation needs, it has been necessary to resort to overcirculation of credit and currency, thus causing overall supply and demand imbalances and economic livelihood shortages. This has naturally affected the progress of reform of the economic system.

Based on the above-mentioned background, many economists agree with the viewpoint that reform or the economic system must have a good environment of macroeconomic coordination, flexible markets, and abundant national finance, goods and materials, and foreign exchange reserves. Since the new economic system requires the market mechanism to play a larger role, and since an essential prerequisite for the market mechanism to play an active role is the existence of a limited buyer's market in which total supply is somewhat larger than total demand, the critical existence of a seller's market in which demand exceeds supply would have to be aided by and strengthen the method of administrative resource distribution, thus hindering reform. In addition, in order for reform of the economic system to be successful, most people must benefit from it. But economic results brought by reform can appear only after a period of time. Thus, the reform process requires fairly abundant goods and materials and fund reserves, all of which also requires a fairly relaxed economic environment in order to reduce friction in the process of readjusting economic interests. This is especially necessary during the initial reform period and requires conscious slowing of growth rates, control of investment scope, and avoidance of immediate large-scale wage and bonus increases in order to release essential resources to carry out economic reform. China's higher economic development rate over the past few years has admittedly been a good thing, showing that certain readjustment and reform successes have been achieved. But at present, this superhigh development rate is a danger sign of the appearance of an "overheated" economy, and appropriate steps should be taken to control consumption and investment expansion, maintain a rough overall balance in supply and demand and create a good economic environment for reform. Faced with being unable to maintain a high growth rate and carry out reform simultaneiously, growth should be subordinated to reform for a specific period of time in order to achieve long-term growth results.

Other economists think that, based on China's actual conditions, it will be difficult in the near future or even by the end of the century to form a limited buyer's market in which supply is somewhat greater than demand. Thus, they think that reform of China's economic system can only be carried out under the strained condition of demand exceeding supply. Some comrades have raised the so-called "reform is necessitated by danger and disaster" argument, thinking that reform cannot await the creation of a good economic environment. They also think that overall demand growth exceeding overall supply growth, with growth of the money supply in the lead are both inherent requirements for China's economy to enter a high growth-rate stage. Furthermore, they think that economic reform itself also requires the economy to have a definite growth tendency. Therefore, they think that the present growth rate is basically normal and healthy and that, although the excessive part must, of course, be regulated appropriately, excessive tightening of the money supply and artificially imposed controlling of investment and consumption demand to make them achieve a balanced condition of being somewhat lower than total supply, do not conform to China's current economic development and actual reform requirements.

The authors prefer the first viewpoint. We stress that a limited buyer's market is a prerequisite for the market mechanism to play an active role, and that target-pattern balance conditions are different from pattern-transformation balance requirement. The fairly relaxed economic environment required by the reform process certainly does not mean that a limited buyer's market has been successfully and solidly formed both quantitatively and structurally. The formation of this economic environent depends not only on the transformation of economic development strategy principles, but also, to a considerable extent, on the success of system reform. Thus, it is per se a development process of gradually approaching ideal balanced conditions.

II. The Heart of Transforming the Ownership System: The Stock System

The past few years of reform practices have caused the nature of the enterprise ownership system to become more complicated. State, collective, and private ownership are not as isolated from each other as they were in the past. The mutual infiltration and merging of diversified ownership, gradually forming a new pluralized socialist ownership structure, has become a trend. The transformation of these ownership relations, and particularly the carrying out of such economic alliances as joint fund-raising, shows that an embryonic form of a stock economy has actually already appeared. This has inspired people to think that being able to regard the stock system as an economic form for a major reform of the ownership structure will be a particularly important way to reform state-owned enterprises. Since enterprise autonomy has been expanded and separation of ownership rights and management authority has been stressed, enterprises have gradually changed into relatively independent commodity producers and managers, and their actions as economic subjects have quite naturally changed to pursuing their own partial and short-term interests, while those of the owner of the means of production (the state) have certainly not been represented specifically. Since macroeconomic regulation measures are still not perfect, it has been very difficult to bring the partial and short-term interests sought by enterprises into the orbit of being integrated with the long-range interests of the whole society. This has raised the problem of how to make enterprise actions more rational while strengthening their vitality. Thus, some economists have suggested that, in addition to strengthening external macroeconomic enterprise control, changing the ownership structure within enterprises can also be considered, i.e., a management force combining short-term and long-range enterprise goals can be established through the stock system form.

The argument of those who advocate the idea of establishing a stock system economy in China is that: 1) it will be able to raise idle social capital to alleviate shortages in funds for modernization construction; 2) ownership relations can be concretized, changing the past situation of everyone being the owners of state-owned property but no one being responsible for it; 3) it will establish mutually restrictive relations between enterprise owners, managers, and producers, making enterprise management actions more rational; 4) enterprise staff members and workers buying some shares in their own enterprises will promote staff member and worker interest and improve enterprise production management activity.

There are differing views among economists who advocate carrying out a stock economy on the problem of whether the state, the enterprise, or individuals should hold the controlling stock in most of the enterprises which they think should carry out a stock system. The first adovcates carrying out a nonstate-owned stock form wherein individuals hold the controlling stock. Enterprises would gradually change from "staff members and workers holding the stock" to "all the people freely holding stock" and thus, actually, from the present "state ownership" to "collective stockholder ownership." But it is now impossible, in fact, for the nearly 100 billion yuan of state enterprise assets to be absorbed as stock from individual income. Even if this were possible in the future, it might also engender a stratum living on profits because of stocks being concentrated in the hands of a minority, a situation which would not conform to the nature of China's society. Thus, this view is not ideal.

The second advocates carrying out a nongovernmental stock form wherein the enterprise holds the controlling stock with state participation. Enterprises have a great potential to buy stock and, along with the increase in retained profits particularly, this potential is still growing. But having enterprises hold the controlling stock, i.e., basically transferring existing state enterprise assets to enterprise group assets, may raise the issue of whether wages and property rights of new enterprise staff member and worker should equal those of the original staff members and workers. Their being equal would actually be the same as state ownership, and discrimination could create group division within enterprises. This method often causes enterprises to exclude new staff members and workers and block rational labor-force circulation, and may also cause coalitions of workers to become the owners of the means of production and others to be reduced to being hired workers. Thus, this view is not ideal either.

The third advocates carrying out a state-owned stock economy form. The state would hold the controlling stock and legally preserve most of its means of production ownership rights, while allowing the direct production managers to hold the enterprise means of production in a compensated form. The World Bank Economic Investigation Report suggested that China set up a "socialist partnership system," advocating that we decentralize all state enterprise ownership rights to several different organizations. All of these organizations would represent the state in various forms. They would be concerned mainly with enterprise profits and not specific enterprise management, which would be handed over to enterprise manager responsibility. This would actually still be a completely state-owned stock economy form, with stock merely being decentralized to several different state organizations. But since these state-owned stock system enterprises would still be state enterprises, it would still be hard for them to break away from direct intervention by the state administrative organization, and it would also be hard to eliminate the disadvantages of there being no distinction between government and enterprises, and management of power and influence.

Questioning the validity of the three above-mentioned stock views, some eocnomists have taken a negative attitude toward carrying out a stock system reform of most of China's state-owned enterprises. They think that the current enterprise inclination toward the short-term interests of enterprise staff members and workers has been caused by such factors as incomplete reform measures, imperfect macroeconomic regulation and control mechanisms, the lack of microeconomic restriction mechanisms, and indefinite expectations of reform progress. Under present conditions, contradictions between short-term and long-range enterprise interests, and between those of production managers and property owners, cannot hope to be solved through establishing a state-owned stock economy, but must be solved through taking further comprehensive reform steps.

III. The Problem of Transforming Dual Pattern Systems

The nature of economic reform is the transformation of one motion pattern into another. There can be two pattern-transformation forms, one being the "package" form, i.e., reforming all major economic system elements simultaneously, and the other the "gradual advance" form, i.e., gradually reforming all major elements successively.

China's gradual reforms, and particularly those since the 3d Plenum of the 12th CPC Central Committee, have consciously or unconsciously gotten onto the dual-system track. The gradual growth and decline of the gradual form and the dual system has been able to avoid major reform shocks. But mixing two different systems may also have caused the occurrence of a series of troublesome economic-motion problems. Those already strongly felt include the following:

1. In the process of the new pattern replacing the old, certain vacuums have often appeared between the two motion systems. For instance, since certain direct old-system control measures were abandoned, indirect new-system control measures have not kept pace correspondingly and promptly; since price-system swings have not changed and the public finance and banking system has not radically changed, it has been hard for indirect control measures to objectively play their proper role; plus, since many economic management cadres have long been accustomed to using the administrative-order method to manage subordinate enterprises, as soon as there are no orders, it seems like they do not know where to begin to manage them. These macroeconomic control vacuums have been a difficult problem encountered in current reforms.

2. After enterprise production was divided into the two parts of ordered and nonordered planning, because it has been easier to ensure ordered goods and supply of materials through ordered production tasks, enterprises have often preferred to strive to carry out ordered production tasks and been unwilling to accept nonordered production targets. But dual planning output proportions being different from input proportions (the ensured supply of goods and materials) has often caused uneven hardship conditions among enterprises, causing them, in production planning, to strive to lower ordered product targets and take on more high-priced high-profit nonordered production tasks and, in ensuring such goods and materials as raw and processed materials, to strive to raise ordered supply targets, in order to reduce losses in

purchasing goods and materials on markets at high prices. This situation has also resulted in great difficulty in seeking to examine quality standards of enterprise management, making it impossible to avoid distortion in plan-fulfillment output and output-value standards, and profit standards.

3. Dual system contradictions and friction have also been expressed as dual prices for the same product. Relatively low planned prices for planned products, and higher agreed or market prices for unplanned products, have caused planned products to change one after another into unplanned ones, conflicting with the guarantee of goods and materials for planned production and construction. Dual-price lags have also provided a breeding ground for speculation, profiteering, and illegal seeking of exorbitant profits, weakening effectiveness of market supervision. High prices and high profits have also temporarily made it hard for the state to use economic measures to control the flow of unplanned products, encouraged blind development of some local and rural township industries and been unfavorable to making the industrial structure more rational. In this dual-price confusion, all areas have formed, one after another, their own goods and materials supply systems in order to ensure the interests of their own areas, which has also intensified regional separation and trade barrier disadvantages and the tendency to "barter." The acquiring of high incomes by certain areas, enterprises, and individuals through price lags has also resulted in a general emulation effect, becoming a cause of consumption-fund expansion.

In order to reduce, as much as possible, the above-mentioned friction and confusion phenomena, it looks as if the following can at least be considered: 1. The gradual reduction of direct control measures and the gradual strengthening of indirect ones should be dovetailed. In other words, microeconomic invigoration must be closely accompanied by corresponding macroeconomioc control measures in order to avoid macroeconomic control measures being unsuited to the adoption of new authority-expansion and invigoration measures, and to avoid the expansion of vacuums in the macroeconomic-regulation mechanism. 2. So long as the former system's motion mechanism still connot be completely abolished, it will be necessary to continue to use administrative orders to maintain the effectiveness and seriousness of the former motion principles, and to strive to prevent certain unplanned spontaneous forces from conflicting with state plans. In other words, the dual systems must be kept relatively separate in order to reduce friction between them. 3. Under these relatively separate conditions, it will also be necessary, as much as possible, to create normal motion conditions and regulation and control measures for the new economic system which is being gradually established. For instance, production activity beyond ordered enterprise plans must, as much as possible, be brought into line with the competitive market system. The use of such economic tools as tax revenue, interest, and prices must also be mastered, in order to control and regulate this economic activity and prevent the two extreme methods of either ordered control or material objects or laissez-faire noncontrol.

12267/12913
CSO: 4006/392

PROVINCIAL AFFAIRS

GUIDING OUTLINE FOR WORK OF HEBEI CPC COMMITTEE

SK251100 Shijiazhuang HEBEI RIBAO in Chinese 15 Feb 86 pp 1,2

["Guiding Outline for the work of the Hebei Provincial CPC Commmittee for 1986" issued on 29 January 1986]

[Excerpt] Major Tasks in the New Situation

1. The year 1986 is the first year for the overall implementation of the "Seventh 5-Year Plan" on the basis of the great achievements scored during the "Sixth 5-Year Plan" period, and also a key year to the fundamental improvement of finance and the economy, party style, and social conduct to be realized in five years as called for by the 12th National Party Congress. An overall plan for and conscientious efforts in this year's work will have an important significance in consolidating and developing the excellent political and economic situations of the province, fulfilling the tasks as set forth at the 12th National Party Congress, and creating a good beginning for the work in various fields for the "Seventh 5-Year Plan" period.

2. The major tasks for party organizations at all levels for this year are to mobilize and organize the masses of cadres and people in and outside the party to thoroughly implement the guidelines of the National Conference of Party Delegates, to "work together for a splendid future," to uphold the principle of grasping the "two civilizations" simultaneously, to strengthen and improve ideological and political work, to actively promote reform, to comprehensively fulfill or overfulfill the national economic plan, and to basically bring about a fundamental turn for the better in party style and social conduct.

Carry Out Reform Persistently and Promote Stable Economic Development

3. In this year's economic work, we should handle well the relations between reform and construction, and continue to unswervingly place reform in the first place. The general guiding principle for urban and rural reforms is to consolidate, digest, supplement and improve the existing achievements in reforms, and to make good preparations for the next important reform step. We should enhance understanding, strengthen leadership, carry out reform persistently and thoroughly, and guarantee and facilitate a sustained, stable and balanced development in the national economy.

In carrying out urban reform, we should exert great efforts to make the whole range of reforms successful, establish various categories of markets, expand lateral cooperation, organize urban-rural economic networks, and improve the system of cities administering the surrounding counties. We should continue to grasp the key link of invigorating enterprises, in particular large and medium-sized ones, and export-oriented, foreign exchange-earning ones, further implement the policies such as simplifying government administration and delegating power to lower levels, and reducing the burden on enterprises, push the coordinated reforms within enterprises with great efforts, and increase their ability for self-renovation and self-development.

In carrying out rural reform, we should emphasize the establishment and improvement of the production, management and service networks at the village, township and county levels, develop specialized or regional cooperative economy, and further improve the two-tiered management system which combines centralized management with decentralized management. We should continue to readjust the rural production setup, gradually improve the system of contracted purchase, and, in coordination with the urban reform, open up new circulation channels. Districts and counties provided with favorable conditions, in particular those near large cities, may establish new-style commercial enterprises which combine agriculture with either industry or commerce, or both on a trial basis. Reforms of the rural supply and marketing cooperatives and credit cooperatives should be expedited. Experiment on the overall county-level reform focusing on expanding the county-level autonomy should be carried out successfully. Leading organs at higher levels should simplify administration and delegate power to counties in order to provide favorable conditions for the reform.

Focusing on the requirement for stabilizing economic development, we should improve the macroeconomic control over the scope of the investment in fixed assets, the consumption funds, and the credit funds. Readjustment of the investment pattern should also be emphasized. We should learn to use the various kinds of economic levers, strengthen the constitution and implementation of economic laws, and improve the supervision and control over economic activities. We should consolidate the measures already formulated for the price reform, give play to the role of state commercial units as major circulation channels, strengthen supervision and inspection, and maintain basic stability in the overall level of market prices. The wage reform of state organs, organizations and establishment should be continued, and that of enterprises should be carried out in a well-guided and step-by-step manner.

We should continue to promote the reform of the scientific and technological structure and the educational system, and the reform in the public health and physical education fields in order to enable science and technology, education, public health, and physical education to better serve the economic construction. We should focus the reform of the scientific and technological structure on grasping the reform of the leadership system, delegating power to scientific research institutions, developing the association for integrating scientific, research with production, strengthening the enterprises' capacity of technological absorption and development, perfecting the scientific and technological service system, and stimulating technological market. With regard to the reform of the educational system, we should continue to attend to restructuring the secondary and higher education; pay attention to developing normal education and training in-service teachers; grasp the vocational and technical education; enhance the elementary education; and carry out the nine year compulsory education in a step-by-step manner.

4. We should earnestly handle the relations between speed and results and persistently focus the economic work on the improvement of economic results. To this end, we should pay attention to the following three tasks. First, we should make plans to organize production in line with market demands and strive to produce various marketable products. Second, the enterprises should enthusiastically improve management and operations and promote the technological progress with a focus on upgrading product quality, increasing the varieties of products, and reducing the consumption of energy and raw materials. Third, we should extensively open up financial resources, strictly enforce the financial and economic discipline, perfect the system of the collection and management of tax revenue, and strive to increase taxes, profits, and revenue.

5. The focal points of the province's economic work are as follows: 1) We should conscientiously carry out the principle of "never ignoring grain production and enthusiastically developing a diversified economy" on the premise of continuously taking agriculture as a foundation of the national economy. While ensuring a steady growth of the grain production, we should rely on science and increase input to promote a comprehensive development of all undertakings in the rural area. As town-and township-run enterprises become a major factor enlivening the rural economy, we should enthusiastically support them, and give directions and make good arrangements for management in order to promote a healthy development of these enterprises. 2) While further developing the economy in the plain areas, we should initiatively grasp the comprehensive development of "mountainous and coastal areas and plateaus." We should earnestly attend to the work of supporting the poor in an effort to change the appearances of these areas in a step-by-step manner. 3) We should vigorously develop light and textile industries and increase the production of consumer goods; and simultaneously accelerate the key construction projects and the technological progress in the fields of energy resources, transport, raw materials, and electronics industry in order to increase the reserve strength for vitalizing the economy. All localities should formulate the plans for the economic development for the "Seventh 5-Year Plan" period or this year in the light of their own actual conditions and the provincial economic development strategy.

6. Party committees should strengthen the leadership over the economic work, make good policy decisions on macroeconomic control, and give the reins to the functions of the governments at all levels for economic management. In accordance with the principle of separating government functions from business management, we should gradually change the functions of the government from the economic management to planning, coordination, supervision, service, and trade management. All localities should grasp the pilot work and study the experiences in the reform of administrative organizations. It is necessary to achieve the militia work reform by conscientiously grasping the work of transferring county (city) people's armed forces departments to the local organizational system.

We Must Certainly Realize a Fundamental Turn For the Better in Party Style And Social Order

7. The provincial CPC Committee called on the party and government organs at the provincial, prefectural, county, and township levels, and more than half of the urban and rural grassroots units across the province to realize a fundamental turn for the better in party style within this year; and simultaneously asked 12 cities, 137 county towns, about 300 small towns, and the villages along the main lines of communication to realize a fundamental turn for the better in social order. The CPC Committees at all levels should pay attention to correcting the tendencies of ignoring the building of spiritual civilization, and fully understand that our economic structure will lose its significance and the economic work will be in danger of degeneration if the party style and social order spread unchecked. In accordance with the requirements of the central authorities for resolutely and persistently correcting the unhealthy practices, we should, with firm confidence, concentrate more energy on grasping the work of realizing a fundamental turn for the better in party style and social order. We should conscientiously formulate the plans and measures for realizing a fundamental turn for the better in party style and social order, and ask each level to carry out these plans and measures in an effort to realize the work as scheduled.

8. Conscientious efforts should be made to carry out urban and rural grassroosts party rectification in line with the arrangements of the CPC Central Committee and the provincial CPC Committee. Because the grassroots party rectification involves many people and units, and is complicated and rather difficult, all localities should attach great importance and give meticulous guidance to it in order to ensure the comprehensive fulfillment of the party rectification tasks in high quality. Units which already completed party rectification should conduct an earnest "review," and take remedial measures when necessary in order to consolidate and develop party rectification achievements. We should launch activities to learn from the model party branches of the Cishan Second Street of Wuan County, the Xinxing village of Lixian County, the Tongxia village of Lingshou County, and the Zhongtan village of Zhunhua County, and from model party members on various fronts. We should strengthen the building of grassroots party organizations, and give better play to the role of party branches as fighting bastions and the role of party members as vanguards and exemplars.

9. We should give prominence to improving party style. Units which have already completed, are carrying out, or will soon begin party rectification, should all attend to party rectification with great efforts.

The responsibility system for improving party style should be estblished and improved. Secretaries of CPC Committees should be responsible for the party style of the members of the committees, CPC Committees should be responsible for the party style of their own units, CPC Committee leading members should be responsible for the party style of the departments they are in charge of, and higher levels should be responsible for the party style of lower levels. Every level should attend to the work of the next lower level, and year-end examinations should be conducted at every level. With regad to the departments and units which have serious problems and fail to improve their party style within the limited period, their leading persons should be held responsible.

Leading cadres and leading organs should take the lead. Leading cadres at various levels, in particular principal responsible comrades of the province and various prefectures and counties, should resolutely and successfully go through the "five passes," strictly enforce the "ten prohibitions" (note), "rectify themselves before rectifying others," act as examples, be honest, uphold principles, and dare to struggle against unhealthy trends. The Provincial CPC Committee should emphatically attend to the party style of its subordinate units and the Shijiazhuang City, and make them act as examples for the whole province.

We should persistently grasp the party style of all departments in a systematic manner. All trades and propessions, in particular functioonal departments in charge of personnel, finance, and supplies, should examine their party style in a thorough manner, resolutely check the unhealthy trends with certain trade characteristics, and conscientiously correct the deeds of some personnel who abuse power for selfish gains.

We should pay close attention to the major problems related to unhealthy trends of our own localities and units, in particular major and serious cases, and solve them one by one. We should first pay attention to the serious problems in the current workstyles of organs as pointed out in relevant central documents, and conscientiously sort them out and solve them.

We should endorce discipline strictly, and correct perfunctoriness in enforcing discipline. Discipline violations of communist party members, in particular leading cadres at and above the county level, should be investigated and handled conscientiously. Those who violate the criminal law should be arrested and given appropriate sentences, and their cases should be settled without any leniency. We should analyze typical cases and draw lessons from them in order to educate party members and cadres. We should establish and improve systems to plug up the loopholes through which unhealthy trends arise.

We should improve the party's life, conduct earnest criticism and self-criticism, carry out in-depth education on party spirit, party style, and party discipline, and continuously enhance the political and ideological competence of party members. We should commend and publicize the advanced ideologies, experiences, and deeds of the party members and party organizations that have strong party spirit and healthy workstyles, and dare to struggle against evil trends.

Supervision over various quarters should be strengthened. All party members, in particular leading cadres at all levels, should voluntarily accept the criticism and supervision from both lower and higher levels and from in and outside the party. CPC Committees should support discipline inspection departments to perform their duties and to successfully inspect party style and party discipline.

/12913
CSO: 4006/766

PROVINCIAL AFFAIRS

SHANGHAI FACES MAJOR CHOICE IN URBAN DEVELOPMENT

HK260603 Beijing ZHONGGUO XINWEN SHE in Chinese 1210 GMT 23 Feb 86

[Round by correspondent Shu Rong [5289 1369]]

[Text] Shanghai, 23 Feb (ZHONGGUO XINWEN SHE)--A major choice lies ahead of Shanghai's urban development regarding how to answer the question of "what should Shanghai be built into?" This issue has a bearing on Shanghai's political, economic, social, and cultural development for a period in the future.

At the beginning of last year, the State Council approved the "Report Outline of the Strategy for Shanghai Municipality's Economic Development." Recently, the state has again approved Shanghai's development plan for the Seventh 5-Year Plan period. The outline and plan clearly point out: Shanghai holds a position facing the interior of the country on the one hand and other countries on the other. Shanghai should change its previous unitary fanction as an industrial base and proceed to turn itself into China's largest economic, scientific and technological, cultural, financial, and trading center. Shanghai's urban development strategy should also meet the requirements of being a multifunctional city as mentioned above. However, for various reasons, there are serious defects in Shanghai's urban development, such as an overcrowded urban population, traffic jams, and serious environmental pollution. They have caused the metropolis, which was once very famous, to look old and, consequently, Shanghai is far from being able to meet the needs of its future development.

At present nine academic organizations, with the Urban Economics Society of Shanghai Municipality as the core, have initiated and held a "forum on the strategy for Shanghai's urban development." More than 200 specialists and theoretical workers engaged in urban planning, construction, and management made a series of suggestions and proposals for solving Shanghai's defects and on how to build Shanghai.

It is necessary to eliminate the overcrowding of the urban population and to develop a new urban dirstrict. The density of Shanghai's urban population and buildings and the overcrowding of its urban traffic are seldom seen in other big cities in the world. If no bold and decisive measures are taken to remove Shanghai's existing defects, the whole municipality will be suffocated or paralyzed. Therefore, the specialists suggested that a new urban district which is both related to and relatively independent of the old urban districts be established on the periphery of the old urban districts, so that Shanghai will have more room for its further development. Hence, the demand for developing the Pudong district is becoming relatively urgent.

It is necessary to augment the construction of infrastructural facilities in the material and cultural sectors, to bring Shanghai's strong points in human resources into full play, and to vigorously develop tertiary industry so as to attract more overseas tourists to Shanghai.

It is imperative to carry out the construction of Shanghai port. Several years ago, Shanghai tentatively planned to build new ports in Luojing, Jinshan, and Waigaoqiao. Recently it has proposed that a port be built at Jinagwan Airport. Related specialists pointed out: The construction of Shanghai port should be carried out in line with the general plan for Shanghai Municipality and both foreign capital and domestic funds should be used in comprehensively developing the new port areas. At the same time, the question of whether or not Shanghai could be opened as a free port was also put on the agenda.

There are indications that while speeding up the study and exploration of the strategy for its urban development, Shanghai loses no time in quickening the pace of its urban construction. The construction of the second cross-river tunnel linking the two sides of the Huangpu Jiang is being carried out smoothly. The feasibility study for a third tunnel is under way. The plan for the overall prevention and control of the pollution of the Huangpu Jiang has passed the related examination, under which plan the diversion works project in the upper reaches of the river is under construction. The project of assembling technical reserves for the underground railway and the Huangpu Jiang bridge is being stepped up.

It can be anticipated that once the strategy for Shanghai's urban development, which is closely linked with the strategy for Shanghai's economic development, is defined, Shanghai, China's largest city, will radiate the vigor of its youth anew.

/12640
CSO: 4006/769

REDUCTION OF ADMINISTRATIVE COSTS DEMANDED

Xi'an SHAANXI RIBAO in Chinese 25 Jul 85 p 1

[Report by Tian Chuan [3944 1557]]

[Text] The leaders of the State Council emphasized recently that we must reduce this year's administrative costs according to the state's demands. However, in light of the situation of implementation throughout the country in the first 6 months, with the exception of Shaanxi Province, which registered a 1.23-percent reduction compared with the same period last year, other provinces, autonomous regions and municipalities all registered increases in varying degrees. The overall margin of growth reached 23.9 percent.

A concerned official of the Ministry of Finance recently presented the situation to reporters. He said that the administrative costs for the first half of this year in 16 regions were above the national average margin of growth. Of these regions, Tibet, Qinghai, and Liaoning registered an increase of more than 40 percent over the same period last year, while Shanghai, Gansu, Beijing, Xinjiang, Guangxi, and Guangdong registered an increase of more than 30 percent.

Reportedly, to reduce administrative costs, the Ministry of Finance held a special conference for planning in May. After that, many local governments adopted effective measures to turn the tide of the wide-margin growth in administrative costs. The administrative costs of 13 regions in June were reduced compared with May. However, expenses still increased in 16 regions, of which Heilongjiang, Gansu, Liaoning provinces registered growth of more than 20 percent.

The Ministry of Finance official indicated that the increases of administrative costs in the first half of this year in each region resulted mainly from the loss of control over the size of the party and government personnel, the excessive increase of personnel since last year, as well as the excessively large group purchasing power.

He said that the State council leaders had reaffirmed recently the necessity to fulfill the task of reducing and not exceeding this year's administrative costs. He hoped that the leaders of the various provinces, autonomous regions and municipalities would adopt further effective measures to ensure fulfillment of the task of reducing this year's administrative costs.

9335
CSO: 4006/958

SHAANXI URGES MEASURES TO INCREASE INCOME, CONTROL SPENDING

Xi'an SHAANXI RIBAO in Chinese 27 Jul 85 p 1

[Text] On 24 July, the provincial Party committee and the provincial people's government issued an urgent circular asking party and government leaders at all levels throughout the province to increase financial income actively and to strictly control financial spending.

The circular pointed out that in the first half of this year the financial income of the entire province constituted 56.36 percent of the fiscal budget, up 10.46 percent compared with the same period of last year. However, current administrative costs and social group purchasing power are still not effectively controlled, financial spending has increased too sharply, and extrabudgetary expenses are excessive. The circular asked that the various places:

1. Make great efforts to increase financial income. While ensuring the fulfillment of the financial income of the whole year, we should strive to overfulfill our task by 100 million yuan. The party and government leaders at all levels should vigorously support the taxation departments to levy various taxes according to policy regulation. Failure to report taxes, fraud. understatement of taxes and evasion of taxes as well as withholding and misappropriation of financial income are strictly prohibited. Overstepping one's own limit of power to reduce and exempt taxes is not permitted. We must strengthen the taxation administration of the scattered tax sources, such as the urban and rural collective enterprises, fair trade, individual industrial and commercial households, specialized households and so on.

2. Resolutely economize and reduce the administrative costs and administrative spending of enterprise and professional units, halt the establishment of new organizations, and prohibit the addition of personnel. We must cut the current surplus personnel of the administrative professional units within a definite period of time. From now on, we shall not examine and approve the purchase of the 17 special controlled commodities. As for the other uncontrolled commdities, we must also fully utilize the existing stock in order to reduce expenses as much as possible. This year's expenses in purchasing equipment at the provincial and prefectural levels must be cut by 50 percent compared with last year's actual expenses. Expenses at the county level must be cut by 30 percent. We must resolutely reduce the conference expenses. The expenses of

unapproved conferences, without exception, will not be reimbursed. The unreasonable conference expenses submitted by the various levels and sectors will not be reimbursed either. We shall not permit the use of state funds by any conference in going to operas and movies, taking pictures, traveling and feasting. In the event of a violation, the approving authority shall be responsible for the expenses. Visits and studies abroad which must be arranged must be submitted to the provincial party committee or the provincial people's government separately for approval, without which expenses will not be reimbursed. We must strictly carry out the method of budget contracting for enterprise and professional units. We must not use all kinds of pretexts to apply for funds outside the contract from the financial organs.

3. We must enforce financial and economic disciplines, and resolve to check various unhealthy tendencies. The auditing, financial, taxation, and financial affairs departments at all levels should resolutely struggle against behavior which violates financial and economic discipline. The authorities at all levels should sternly deal with serious violations of financial and economic discipline.

9335
CSO: 4006/958

HUBEI ECONOMIC, TECHNOLOGICAL COOPERATION EXPANDED

Beijing RENMIN RIBAO in Chinese 22 Aug 85 p 1

[Report by Gong Dafa [7895 6671 4099]]

[Text] Hubei Province has shattered the boundaries drawn by regions and trades to extensively institute economic and technological cooperation inside and outside the province. It has develeoped horizontal economic relations, promoted reasonable exchanges of funds, materials, technologies and skilled personnel, and enhanced economic development.

In recent years Hubei has paid attention to economic and technological cooperation. The exchanged materials in 1984 totaled 850 million yuan, the third highest in the country. New development has again been noted in the first half of this year. The simple exchange of materials in the past has gradually developed to a multilevel and multichannel "four-in-one" economic and technological cooperation involving economic alliance, technological cooperation, material support, and exchange of skilled personnel. One-time temporary forms of cooperation have developed to a long-term and stable cooperation. Large numbers of economic integrated bodies involving industrial and trade integration, technological and trade integration, and urban and rural integration have appeared. Since Wuhan City has opened its city gates, more than 250 various economic integrated bodies have been established, involving nearly 2,000 units. Links have been established not only with over 100 cities and counties in over 20 provinces, municipalities and autonomous regions throughout the country, but with more than 20 industrial and commercial enterprises in Hong Kong and Macao as well.

The development and establishment of technological markets and the rapid growth of the consulting industry have broadened the range of technological cooperation and enhanced the results of technological cooperation. Many universities, schools, research institutes and academic groups have actively participated in technological cooperation, sold their technology, transferred their results, or taken part in consulting. They are welcomed by the factories and enterprises. In the first half of this year, township and town enterprises have brought in over 750 technological projects and 114 skilled personnel. These will increase over 200 million yuan of output value for these enterprises this year. Huangshi City supports others with its local advanced technology in the construction materials and metallurgical industries, and supplements its own weak areas and develops itself through importing. They have signed 158 cooperative projects in 17 provinces and municipalities. Of these, 45 are technological exports and 54 are technological imports.

Many localities in the province have made use of resources to draw in funds and technology. They have accelerated the development and utilization of resources in order to rapidly transform strength in resources into economic strength. Last year Yangxin County brought in its first batch of funds totaling 3.59 million yuan to build such industrial and mining enterprises as an aluminium factory, a smeltery, and a flax textile mill. Some of these enterprises went into operation in the same year, and gained 0.6 million yuan of taxes and profits. This year, more than 70 million yuan was brought in, which greatly accelerated the development of resources.

The development of economic and technological cooperation and of horizontal economic relations have removed the obstacles between cities and countryside, and further strengthened the radiation capability and attractability of cities. At present, the horizotal economic network with the large and medium-sized cities as the center has been established step by step. Without changing the subordinate relationship of the neighboring Jingzhou Prefecture to Shashi City, the prefecture and the city are cooperating in the institution of an organized and full economic and technological alliance under leadership. "I am in you and you are in me." An economic zone with relatively solid economic and technological strength has been formed.

9335
CSO: 4006/958

GUANGDONG PEOPLE'S CONGRESS MEETING OPENS 19 FEB

HK210931 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
19 Feb 86

[Text] The 18th meeting of the 4th provincial People's Congress Standing Committee opened in Guangzhou this morning. Luo Tian, chairman of the provincial People's Congress Standing Committee, persided over the meeting.

The meeting first listened to Governor Ye Xuanping's report on our provincial government work in 1985 and on the arrangements for work in 1986. The committee members seriously conducted discussion. They all fully affirmed the provincial government work last year and put forward many very good views and suggestions on this year's work.

This meeting will last 4 days and examine and discuss the draft regulations on the management of contacts between the personnel of the Shenzhen Special Economic Zone and the interior and the draft regulations on water and soil conservation in Guangdong Province. The meeting will hear, examine, and discuss the provincial government report on handling motion No 18 handed over by the third session of the sixth provincial People's Congress, on handling motion No 22 on strengthening the legal system and resolutely correcting the malpractices of indiscriminately imposing fines and collecting charges, and on handling the motion on speeding up the development of the power industry in our province and guaranteeing the needs of the development of the national economy. The meeting will make corresponding decisions and listen, examine, and discuss the report made by the provincial higher people's court and provincial people's procuratorate on the situation in cracking down crimes in our province. The meeting will also adopt appointments and removals.

/12640
CSO: 4006/769

LIAOWANG REPORTS MINISTRIES' PLANS FOR REFORMS

HK140755 Beijing XINHUA Hong Kong Service in Mandarin 0342 GMT 12 Jan 86

["Some State Council Ministers Talk About Promoting Reforms This Year"--XINHUA headline]

[Text] Beijing, 12 January (XINHUA)--LIAOWANG weekly published tomorrow will carry a report about some new information issued by some ministries and commmissions of the State Council. They hold that urban and rural reforms last year in the whole country made great advances and reforms will bring about better results this year.

The magazine says that the plans of these ministries and commissions show that the situation in the first year of the Seventh 5-Year Plan (1986-1990) will be good.

LIAOWANG weekly publishes the plans of seven ministries and commissions.

The special economic zone affairs office of the State Council--Director He Chunlin said: Through the explorations and practice of special economic zones, coastal open cities, and coastal economic open areas, China will gradually expand the implementation of the open policy from coastal areas to interior areas so as to more effectively and closely link economic development in coastal areas with economic development in interior areas, to utilize domestic and foreign resources to a higher level, and to expand both domestic and foreign markets.

He said: The special economic zones will give priority to the development of outwardly oriented industrial projects which use advanced technologies, yield good economic results, and have a high capacity for earning foreign exchange. The coastal open cities will continue to import advanced technologies and strengthen the technological transformation of the existing enterprises. At the same time, they will make efforts to ensure the successful operation of the Chinese-foreign joint ventures and cooperation projects that have been approved and will build economic and technical development zones in a planned and orderly way. The coastal economic open areas will make better use of their local resources and bring their respective advantages into full play and will further formulate and implement their development plans to pursue the principle of integrating industrial and agricultural production with foreign trade so as to put more competitive commodities into international markets.

The Ministry of Foreign Economic Relations and Trade--Some new policies and measures will be adopted this year. For example, the ministry will accomplish the plan of building some export production systems to increase the country's export and foreign exchange earning capacity. Export production bases for major agricultural products will be established. Large cities with a good industrial foundation, especially coastal cities and mining areas, will select some factories and mines to specialize in export-oriented production. These factories and mines should concentrate on the production of brand-name products of high quality which are readily marketable and can be supplied on time. In addition, management over foreign trade transport will be strengthened; management over exports to Hong Kong and Macao will be more strict; and greater efforts will be made to check smuggling and to exercise control over foriegn exchange.

The Ministry of Agriculture, Animal Husbandry, and Fishery--the period of the Seventh 5-Year Plan will be the crucial period for the rural economy to lay a solid foundation for bringing the peasants' living standards to comparatively well-off level and for maintaining the momentum of development in the last decade of this century through in-depth reforms. So the rural economy will ensure all-round, coordinated, sustained, and stable development. In order to achieve this purpose, the rural industrial structure will be further readjusted in 1986 on the basis of ensuring steady growth in grain production so as to simultaneously develop all of the primary, secondary, and tertiary industries in rural areas with priorities in the fields of agriculture, animal husbandry, forestry, sideline production, and fishery. The production of cash crops should be developed in a planned way in light of market demand, and attention should be paid to product quality. Service work should attach importance to the development of animal husbandry and aquaculture. Rural industrial enterprises should make use of their local resources, do business according to their own capacity, and endeavor to develop healthily. Existing enterprises should be further consolidated so as to set aright their business orientation and improve their quality.

The national tourism administration--Director Han Kehua said: During the period of the Seventh 5-Year Plan, the national tourism administration will mainly promote work in the following four points: first, concentrate on human, material, and financial resources to build systematic backup service projects in major tourist cities and raise their accommodation capacity; second, train more qualified personnel for the tourist industry; third, give wider publicity to China's tourist industry; and fourth, continuously improve the service quality of various travel agencies and hotels and increase their international competitiveness.

The Ministry of Railways--In the period of the Seventh 5-Year Plan, main efforts will be made to conduct technological transformation of the existing railway trunk lines so as to incrase their track capacity. Some new railway trunk lines will also be built. In the period of the Seventh 5-Year Plan, the priorities of railway construction will be in the following four major passages: the passage for transporting Shanxi's coal to other areas; the trunk passage linking northern and southern China; the passages for coastal harbors; and the passages linking various major regions. Some railway lines of these four major passages will be electrified or will be turned into double-track lines. At the same time, new railway lines between Houma and Yueshan, between Shangqiu and Fuyang, between Baoji and Zhongwei, between Xian and Ankang, between Nanning and Kunming, and between Guangzhou and Zhangzhou will be built. By the end of the Seventh 5-Year Plan period, the mileage of all railway lines in the country will reach 58,000 km, and the comprehensive transport capacity of all railways will be 1.6 billion passengers and 1.7 billion tons of cargo.

The Ministry of Water Resources and Electric Power--Minister Qian Zhengying told this reporter that the ministry will accomplish 10 major projects in 1986, including increasing generating capacity by another 5 million kilowatts on the basis of the increase in generating capacity of 5 million kilowatts in 1985; the beginning of operation of the first generator set in the Longyangxia Hydropower Station on the Huang He; the putting of three to four generator sets into operation in the Gezhouba project; the completion of the project of diverting water from the Biliu He to Dalian City; the beginning of the project of diverting water from the Huang He to Jinan City; the examination and approval of the design for the project of diverting water from the south to the north; the beginning of the building of the Yangzhuoyong reservoir in Xizang, which will be the highest reservoir in our country above sea level; and the development of small power stations, by raising local funds, with a total generating capacity of 10 million kilowatts.

The Ministry of Finance--Minister Wang Bingqian said: in 1986, China's financial expenditure will first guarantee key construction projects and satisfy the needs of economic reforms and intellectual investment. Agricultural expenditure will appropriately increase. In addition, China will continue to perfect its financial and taxation systems. Regulatory taxes imposed on large and medium-sized backbone enterprises will be gradually reduced, as they are shouldering heavy tasks for producing export goods and conducting technological transformation. The depreciation rate for some enterprises will be raised step by step. The industrial and commercial taxation system will be further improved so as to enable taxation to function as a major economic lever. Taxation legislation concerning foreign economic activities and foreign investment in China will also be perfected. Moreover, funds for special use and special financial subsidies will be granted to support some enterprises' necessary technological transformation projects and to support the import of some advanced technologies.

/12913
CSO: 4006/772

QINHUANGDAO'S ECONOMIC, TECHNOLOGICAL DEVELOPMENT ENCOURAGED

Beijing RENMIN RIBAO in Chinese 22 Aug 85 p 2

[Report by Liu Xiaolu [0491 2556 7120]]

[Text] From 15 to 19 August, the Hebei Provincial People's Government convened an on-the-spot office meeting in Qinhuangdao City to study the city's economic and technological development. Governor Zhang Shuguang [1728 2562 0342] presided. Major officials from 25 committees, offices, departments and bureaus under the province as well as from Qinghuangdao, Shijiazhuang, Tangshan, Handan, Xingtai, Zhangjiakou and Baoding cities discussed, examined and approved the long-term plans and short-term arrangements for developing Qinhuangdao. They made decisions on the spot, negotiated solutions to practical issues, and designated and implemented a number of development projects.

During the meeting, the leading comrades of the party Central Committee and State Council listened to the work reports from Hebei Province and Qinhuangdao City and made important guiding suggestions on the development of Qinhuangdac.

In April 1984, the state designated Qinhuangdao as one of the fourteen coastal cities to be opened to the outside world. Since then, Hebei Province and Qinhuangdao City have conscientiously implemented the policy of the party Central Committee and State Council on revitalizing the economy at home and opening to the outside world, clarified the guiding ideology for making Qinhuangdao an open city, established an outline for economic and technological development and an overall plan for the city, preliminarily formulated preferential policies for attracting foreigners and establishing connection at home, vigorously emphasized the construction of such infrastructures as water, electricity and communications, focused on intellectual development and the training of skilled personnel, actively created a good environment for investment, and concluded talks on a number of projects to attract foreigners and carry out cooperation at home.

Nevertheless, because Qinhuangdao has gone from a city under prefectural jurisdiction to one under provincial jurisdiction, has gone from leading four districts to leading four counties and three districts, and has gone from a population of 300,000 to 2.3 million, many links in specific work have failed to adapt readily to such a "leap." At the same time, in terms of Hebei Province as a whole, some people have still failed to fully understand the important strategic significance of developing Qinhuangdao City in the revitalization of the economy of the entire Hebei Province, and have failed to institute smoothly all the relationships in work. Through sufficient discussions, the participants at the meeting have reached a unanimous understanding of this issue of speeding up the economic and technological development of Qinhuangdao in accordance with the principles of "promotion of one's strong points and avoidance of one's weaknesses, voluntary participation and mutual benefit, exchange of equal values, joint development, coordinated development, widespread institution of vertical and horizontal links, and shattering of administrative separation of central and local authorities."

On the basis of a unified understanding, the participants at the meeting studied, discussed and affirmed Qinhuangdao City's three superiorities, namely, harbor, tourism and the glass industry, and put forth practical and feasible measures for bringing into play those three superiorities in developing Qinhuangdao City. The participants at the meeting proposed that we should bring into full play Qinhuangdao Harbor's superiority of having the "three bei's [Hubei, Hebei and Beijing]" as the backings and facing the Pacific Ocean, gradually transform this harbor which is involved solely in energy transit to a multifunctional and comprehensive import-export harbor, and build this into a corn export base, glass, sand and stone, liquid chemical industrial products export base and a packing and transit base for the export products of eastern Hebei, and build Qinhuangdao into an import-export port for Hebei Province itself. In light of the heartening situation of the rapid development of tourism in Qinhuangdao City in recent years, the participants at the meeting studied the problem of how to solve the meals, lodgings, transportation and recreation of the daily-increasing tourists. Since the beginning of this year, in accordance with the guiding ideology put forth by the provincial leaders that "every household should run hotels and restaurants, and everybody should be a receptionist," the state, collective and individual of Qinhuangdao have made concerted effort and eased the pressure of the rapid increase of tourists to a certain extent. The participants at the meeting decided that, in the future, while continuously developing the present tourist spots and perfecting facilities, we should vigorously develop new tourist spots. In particular, they proposed the development of more than 200 li of "gold coast" new seaside resorts from the Dapu He estuary in Changli County, passing through Beidaihe to the Luan He estuary in Luanxian County. Here, the beaches sport soft sand and gentle tides, the tree belt meanders, the sand dunes rise and fall and the water surface stays calm. The potential for development is tremendous. The participants at the meeting decided that Qinhuangdao City must make great efforts to improve the quality and increase the variety in its glass industry, vigorously develop horizontal economic alliances, and improve its ability to attract foreign exchange.

In the 4-day meeting, the responsible persons of the various committees, offices, departments, bureaus and banks under the province and from fraternal cities conducted analysis and demonstration, and carried out counterpart discussions. In accordance with the demand for small investment and fast results, they put forth 136 projects for developing Qinhuangdao City, carried out conscientious selection, and preliminarily designated 47 prospective projects for development, from which 20 key projects were selected. This on-the-spot office meeting has produced good results. The participants generally agreed that this type of office meeting with little armchair discussion and much actual work to "cut the Gordian knot" should be promoted.

9335
CSO: 4006/958

AGGREGATE ECONOMIC DATA

SHANGHAI ECONOMIC STATISTICS FOR 1985 RELEASED

OW260901 Shanghai WEN HUI BAO in Chinese 16 Feb 86 p 1

[Excerpts] Shanghai's social output value in 1985 was 102.6 billion yuan, its national income was 39.9 billion yuan, and its total industrial and agricultural output value 88.28 billion yuan, topping 1984 by 11.1 percent, 11.9 percent, and 11.6 percent respectively. They all exceeded the targets laid down in Shanghai's Sixth 5-Year Plan. Shanghai's total national output value, listed for the first time as primary indicator in evaluating Shanghai's economic performance, was 45.8 billion yuan for 1985, topping 1984 by 12 percent. The output value of the tertiary industry increased 13.5 percent. This information was given by Li Maohuan, director of the Municipal Statistical Bureau, at a news briefing held by the Municipal Government's Information Department yesterday.

Li Maohuan described the 10 aspects of Shanghai Municipality's economic and social development in 1985 as follows:

1. Industry: The annual total industrial output value was 82.67 billion yuan, up 11.1 percent from 1984. This figure included the total industrial output value of village-run enterprises, which amounted to 85.97 billion yuan, 12.2 percent more than in 1984.

2. Agriculture: The annual total social output value of rural areas was 13.59 billion yuan, up 32.9 percent from 1984. Output value of rural industry, building industry, commerce, and transportation grew by fairly large margins compared with 1984. Due to natural disasters and the readjustment of the farming structure, output value of crop cultivation dropped 19.4 percent, while that of forestry, animal husbandry, and sideline occupations and fishery increased in varying degrees. The latter accounted for 44.2 percent of the total agricultural output value, up from 36.4 percent in 1984. Grain and cotton acreage dropped to 439,000 and 71,000 hectares from 486,000 and 94,000 hectares respectively, while the acreage of rapeseed increased from 51,000 hectares to 73,000 hectares. Grain and cotton output was respectively 15.3 and 50.5 percent lower than in 1984, while output of rapeseed increased 21.4 percent.

3. Investment in fixed assets and the building industry: In 1985 investment in fixed assets of state-run units was 9.12 billion yuan, incuding 1.9 billion yuan for power, posts and telecommunications, and public utilities projects,

an increase of 94 percent over 1984. Annual investement in the 12 key state projects was 2.5 billion yuan, acounting for 44 percent of the investment in capital construction. Five of the 39 large and medium-sized capital construction projects under construction were completed and put into operation in that year.

4. Transport, posts and telcommunications: In 1985 transport vehicles in all categories overfulfilled passenger and freight transport plans. Total freight transported was 242 million metric tons, topping 1984 by 4.8 percent. Some 34.35 million passengers were transported, topping 1984 by 9 percent. The total volume of paid posts and telecommunications services was 155 million yuan, topping 1984 by 20.2 percent. There were 148,000 telephone subscribers, 22,000 more than in 1984.

5. Domestic commerce: The total volume of annual retail sales was 17.36 billion yuan, topping 1984 by 31.2 percent. Total retail sales volume of consumer goods topped 1984 by 32.8 percent, while that of foods, clothing, and articles for daily use increased respectively 23.6, 24,6, and 48.8 percent.

6. Foreign economic relations and tourism: The total value of export commodities order was 10.48 billion yuan, topping 1984 by 5.5 percent. Actual exports totaled $3.36 billion, down 6.3 percent from 1984. Shanghai further increased the use of foreign capital. During the year, Shanghai approved and signed 121 contracts on use of foreign capital, totaling $770 million, respectively 2.5 and 2.2 times the 1984 figures. Some 223 technological import contracts were signed in 1985; the volume of transactions was $240 million yuan. Last year Shanghai signed 22 agreements on contracting for projects and labor services abroad. These contracts amounted to $13 million. Last year Shanghai received 602,000 tourists from 150 countries and regions, a 16.9 percent increase. The annual revenue from tourism was 420 million yuan, a 44.2 percent increase.

7. Urban construction: Construction of urban infrastructural facilities was accelerated somewhat. Some 900 million yuan was used for public utilities and other urban facilities, 2.2 times more than in 1984. The municipality built, rebuilt, and widened 490,000 square meters of roads, and constructed two interchanges for automobiles, and six pedestrian overpasses.

8. Science and technology, education, and culture: In 1985 Shanghai scored 1,957 major achievements in science and technology, topping 1984 by 23.5 percent. Education advanced steadily in the course of reform. Some 4,347 postgraduate students were enrolled in 1985, topping 1984 by 1,928. Cultural, press, publishing, and radio and TV departments also made fresh contributions to the development of socialist spiritual civilization.

9. Public health and sports: Hospitals in Shanghai had 54,000 sickbeds, a 4.3 percent increase. Sports developed vigorously.

10. People's livelihood: Shanghai's population in 1985 was 12.17 million, an increase of 120,000 over 1984. The natural population growth rate was 5.8 per thousand. Last year 161,000 people were given jobs. The total amount of workers' wages in Shanghai reached 6.44 billion yuan, topping 1985 by 19.8

percent. The workers' average annual wage was 1,329 yuan. The workers' actual income was 11.2 percent more than in 1984 after adding nonstaple food subsidies and making deductions due to the rising price index. As of the end of last year, savings deposits of urban and rural residents reached 7.01 billion yuan, a 24.9 percent increase. The state, enterprises, and establishments spent 1.29 billion yuan on housing construction, 57 percent more than in 1984. Some 4.73 million square meters of housing was completed, an increase of 8 percent.

/12913
CSO: 4006/772

SHAANXI'S KEY MARKET QUOTATIONS

Xi'an SHAANXI RIBAO in Chinese 25 Jul 85 p 2

[Text]

Shaanxi's Key Fair Market Quotations
(Market Administration Department of the Provincial
Industrial and Commercial Administrative Bureau)

Price unit: yuan
Price quotation date: 20 July 1985

Commodity	Unit	Specifications	1	2	3	4	5
Rice	jin	Middling	0.38	0.28	0.30	0.24	0.30
Wheat	jin	Middling		0.20	0.21	0.19	0.25
Corn	jin	Middling		0.15	0.11	0.18	0.10
Soybean	jin	Middling	0.40	0.37	0.28	0.39	0.38
Raw peanut kernel	jin	Middling	1.10	1.10	1.00	1.16	1.10
Rapeseed oil	jin	Middling			1.45	1.50	1.50
Pork	jin	Middling with bone	1.60	1.25	1.20	1.20	1.10
Mutton	jin	Middling without bone		1.80	1.40		
Egg	jin	Fresh egg	1.15	0.98	1.00	1.30	0.90
Live hen	jin	Middling		1.30	1.10	1.30	0.85
Carp	jin	Middling fresh		2.50	2.00	2.80	
Apple	jin	Middling	0.45	0.50	0.30	0.35	0.30
Watermelon	jin	Middling	0.20	0.25	0.17	0.20	0.15
Green pepper	jin	Fresh		0.30	0.20	0.15	0.20
Potato	jin	Middling	0.10	0.12	0.08	0.06	0.07
Green Chinese onion	jin	Middling	0.18	0.06	0.05	0.10	0.10
Tomato	jin	Middling		0.13	0.12	0.06	0.12

Commodity	Unit	Specifications	6	7	8	9	10
Rice	jin	Middling			0.21	0.29	0.30
Wheat	jin	Middling	0.26		0.20	0.23	0.21
Corn	jin	Middling	0.14	0.15	0.17	0.14	0.11
Soybean	jin	Middling	0.30	0.30	0.38	0.37	0.36
Raw peanut kernel	jin	Middling			1.05		
Rapeseed oil	jin	Middling	1.50	1.55	1.50	1.55	1.60
Pork	jin	Middling with bone	1.20	1.30	1.10	1.20	1.10
Mutton	jin	Middling without bone	1.60	1.15			
Egg	jin	Fresh egg	0.96	0.95	1.20	0.90	0.88
Live hen	jin	Middling		0.90	1.30	1.25	
Carp	jin	Middling fresh			2.80		
Apple	jin	Middling		0.30	0.40	0.20	0.20
Watermelon	jin	Middling	0.25	0.13	0.10	0.18	0.25
Green pepper	jin	Fresh	0.20	0.18	0.08	0.24	0.30
Potato	jin	Middling		0.10	0.05	0.10	0.05
Green Chinese onion	jin	Middling		0.08	0.07	0.12	0.05
Tomato	jin	Middling	0.15	0.08	0.05	0.14	0.15

Key:

1. Tumen, Xi'an City
2. Jianguo Road, Baoji City
3. Renmin Street, Weinan City
4. Beiguan, Hanzhong City
5. Yabai, Zhouzhi County
6. Yihe, Suide County
7. Xing Town, Pucheng County
8. Chengguan, Chenggu County
9. Qi Town, Mei County
10. Chengguan, Shanyang County

9335
CSO: 4006/958

ECONOMIC MANAGEMENT

REFORM OF ECONOMIC MANAGEMENT ORGANIZATIONS IN URBAN CENTERS

Tianjin TIANJIN RIBAO in Chinese 12 Nov 85 p 4

[Article by He Zuo [0149 4373]: "A Preliminary Look at the Reform of Economic Management Organizations in Urban Centers"]

[Text] The reform of economic management organizations is an essential aspect of the overall restructuring of the city-based economic system. As reform expands in scope and depth, there arises a corresponding need to reform the existing economic management organizations to meet the requirements of the development of a planned commodity economy. How does an urban center go about correctly understanding the functions of an urban government agency in economic management and seriously examining the form which the organization should take, based on the principles spelled out in the "Resolution" of the 3d Plenum of the 12th CPC Central Committee? This is a question which must be explored in depth.

An economic management organization is a formalized institution whose purpose is to fulfill certain economic management functions using certain managerial tools. What institutional format should such an organization in an urban center take? To answer this question, we must first clarify the organization's economic management functions and characteristics. The "Resolution" stipulates eight major economic management functions for a government organization. This provision certainly applies to the government organization of an urban center, but because of the special position and unique role of an urban center, its economic management organizations have some other special functions.

An urban center is where trade and industry concentrate. To facilitate the organization of specialized cooperation, the state has decided to transfer to urban centers the management of the bulk of enterprises. Accordingly, a municipal government should do more to guide, coordinate and promote the specialized cooperation between enterprises, enterprise reorganization and mergers, and their technical and managerial modernization.

The urban center is a centralized market, the confluence of the flows of commodities and materials, and often a transportation hub as well. This requires the municipal government to strengthen its guidance and promotion of commodity and goods circulation and its management and control of the market. There is a corresponding need to step up urban development and improve social services.

The urban center is the link between the macroeconomy and the microeconomy, with a special responsibility for both macroeconomic management and microeconomic stimulation. Therefore, the municipal government should draw up well-conceived long- and medium-range economic and social development plans based on the overall demands of the entire nation's economic development as well as local conditions. It should also be entrusted with the appropriate power to adopt economic mechanisms to regulate economic activities.

These characteristics distinguish the functions of an economic management organization in an urban center from those of its counterpart in a province or autonomous region. It follows that its setup too exhibits its own special features. This is a major point to bear in mind when we tackle the reform of economic management organizations in an urban center. If we ignore it and impose one single model on all management organizations, urban centers will be hemmed in and unable to fulfill their functions.

Economic management organizations are shaped by their functions. The latter, in turn, are determined by the model which the overall economy follows. For this reason, management organization reform must fit in with the economic system as a whole.

For a long time, China practiced basically a product economy, characterized by over-centralization, a lack of division of labor between enterprises and government organs and fragmentation. The entire national economy resembled a "giant factory." Enterprises were treated like workshops and state organs became "offices of the general manager," exercising direct, complete and detailed control over enterprises. The inevitable result was a proliferation of management organizations, elongated chains of command, over-staffing, buck-passing and rampant bureaucratism. The "Resolution" of the 3d Plenum of the 12th CPC Central Committee clearly points out that our socialist economy is a "planned commodity economy based on public ownership." To meet the demands of this economic model, the reform of economic management organizations in urban centers must satisfy the following three requirements:

First, separate the functions of enterprises from those of government. After the management of enterprises is delegated to a city, the municipal government absolutely must not treat them as the appendages of some administrative agency and rein them in. Instead, it must delineate the functional boundaries between enterprises and government and the observe the principle of simplifying administration and decentralizing power. Whatever autonomy the CPC Central Committee has conferred on enterprises must be given to them, down to the grassroots enterprises so that the latter really become relatively independent producers and operators enjoyingwh managerial autonomy and are responsible for their own profits and losses. In accordance with national plans, policies, and principles, the municipal government should use essentially economic, legal, and necessary administrative tools to guide the enterprises and exercise comprehensive and indirect regulation, control and management at the macroeconomic level. With much less detailed and direct intervention in enterprises, the setup of government organizations can be radically streamlined and their staff greatly reduced.

Second, the main managerial tools should be economic. We ran our product economy in the past by relying heavily on administrative fiat as the allocation and distribution tool and on command planning to determine production and circulation. Consequently, specialized economic management organizations were over-staffed and duplicated one another while general economic management organizations, whose weapon was economic leverage, were weakened and became mere administrative agencies, unable to play their role of regulation and functional control. Now that we want to develop a planned commodity economy, we must comply with the basic law of a commodity economy--the law of value--and adopt mainly economic mechanisms to manage the economy, making use of all manner of economic levers in particular. Therefore the shift to economic mechanisms will make it imperative that specialized economic management organizations be simplified.

Third, adapt to the characteristics of urban centers. In general, departments in economic regulation, market management, economic supervision, urban development and consulting services, etc., should be appropriately centralized and strengthened. Since urban centers each have their own special characteristics, so should the setup of their organizations. For instance, large urban centers with numerous large-scale enterprises may need more management levels than enterprises in small and medium-sized cities; we certainly do not mean to suggest that the shorter the chain of command, the better. Also, major opened coastal cities may need to beef up their management organizations in external economic relations and trade. In short, we must take realities as our point of departure and not copy others blindly.

The reform of economic management organizations is a complex, important policy issue which involves a range of matters and has extensive repercussions. Hence we must be cautious as well as enthusiastic and make safe moves even as we proceed firmly in the direction of reform. Right now we may begin our effort in the following three areas:

First, we must mobilize forces to develop a comprehensive plan for the reform of an entire urban center's economic management organizations. Such organizations are in themselves entities comprising organic components. In its entirety, the reform of economic management organizations is a piece of systems engineering. The various organizations supplement and interact with one another. If we do not formulate a comprehensive plan and determine a sequence of reforms from the standpoint of interconnection, and instead tinker with the problem in a haphazard way, treating each symptom as it arises, we will produce half the output despite twice the input. But if we go about reform step by step in a goal-oriented way, that is, bring together theoretical people and practical doers and, after painstaking research, studies, analyses and demonstrations, work out a comprehensive plan for a basically rational organizational structure, together with a setup for the transitional period, we will successfully avoid many detours.

Second, existing economic management organizations should zero in on reform by adjusting their functions. We believe that the reform of economic management organizations really consists of two aspects: 1) reforming the substance of economic management by adjusting organizational functions; and 2) reforming the form of economic management by changing the organizational setup. Needless to say, these two aspects are both related to and different from each other. It would be ideal if the two can proceed in tandem and are completed at the same time, but since the present system has been in existence for years and we lack successful experience in wholesale reform, it may be a more positive and prudent move to reform functions first and then tackle the organizational form, ie., "remove the joss sticks first and then demolish the temple." This point is of particular importance to urban centers with a heavier concentration of industry and commerce, especially large cities. Today the various economic management organizations cannot just sit around and wait for reform. They should take the initiative to overhaul their functions. General economic management organizations should begin by tackling such trivial matters as divvying up funds,, materials and personnel and providing a decision-making standard and macroeconomic regulatory capability. From managing enterprises, specialized economic management organizations should gradually shift to the management of an industry. On the basis of functional reform, we may then slowly move on to organizational streamlining, restructuring and merging.

Third, we must lose no time in reforming what we know is clearly wrong and carry out pilot projects where we are not certain. In other words, some organizations are patently irrational and totally at odds with the requirements of economic development. If this is the consensus, then we must firmly and promptly reform them, without having to wait for others. Some organizations have a clear sense of their reform direction but lack practical experience. In these circumstances, they may select as laboratories one or two departments from within which are typical or have the right conditions for the conduct of a pilot project. Armed with the experience derived therefrom, they can then popularize the changes. The wholesale reform of economic management organizations cannot be accomplished overnight. Nor is it a one-shot effort. Instead of moving too quickly, we should keep a measure of stability. All these considerations must be taken into account.

12581
CSO: 4006/525

ANHUI REVIEWS RESPONSIBILITY SYSTEM EXPERIENCE

OW260351 Hefei ANHUI RIBAO in Chinese 13 Feb 86 p 1

[Dispatch by Sun Xijing and Li Jiyao]

[Text] A provincial meeting to exchange experience in popularizing the personal responsibility system in party and government organs was held recently in Hefei. Comrade Meng Fulin, member of the Standing Committee of the provincial CPC Committee, vice provincial governor, and head of the provincial Leading Group for Popularizing the Personal Responsibility System in Party and Government Organs, attended the meeting and delivered a report. Wang Yuzhao, deputy secretary of the provincial CPC Committee, addressed the meeting. The meeting pointed out: The work of popularizing the personal responsibility system in party and government organs in our province has been marked by an early start, relatively quick progress, and sound development. Over 80 percent of party and government organs and institutions at the prefectural, city, and county levels in the province have established this system, while among the provincial organs, those implementing this system account for more than 20 percent. Thirty percent of the units where this system is implemented have simultaneously achieved the goal of grasping the responsiblity system, the job evaluation system, and the reward and penalty system and have achieved quite good results in their work.

The meeting also pointed out: Implementing the personal responsibility system is a major task in strengthening the various organs. Persistently implementing this system will help overcome bureaucracy, raise work efficiency, and step up the building of spiritual civilization. Success in implementing this system hinges on the correct understanding by the leadership at all levels. Leading organs should play an exemplary role in this regard. They should earnestly strengthen their leadership over this work, occasionally check to see how the system is being carried out, sum up experience, and devote their efforts to "consolidating" and "perfecting" this system. At the same time, they should take a serious attitude to evaluating and comparing the work done in this regard by their various units and establish a system for constantly conducting such evaluation and comparison and for giving rewards or penalties as required.

At the meeting the Education Bureau of Qimen County, the Organization Department of the Feidong County CPC Committee, and eight other units recounted their experience. Another 17 units submitted written reports to the meetting.

Some 200 people attended the meeting, including all members of the provincial leading group for popularizing the personal responsibility system and comrades related with the implementation of this system from various prefectures and counties, provincial departments and bureaus, institutions of higher learning, and central units stationed in Hefei.

/12640
CSO: 4006/769

ECONOMIC MANAGEMENT

TEAM UNCOVERS TAX, FINANCE, COMMODITY ANOMALIES

HK201139 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 15 Feb 86

[Text] By the end of last year, the provincial tax, finance, and commodity price inspection group had inspected the situation regarding the financial income and expenditure of 291 administrative units and institutions at the provincial level. It found discipline violations which involved 4.92 million yuan, of which 1.6 million yuan was bonuses indiscriminately issued; 1.14 million yuan was misappropriated retained funds; 1.35 million yuan was unpaid taxes, profits, and funds for key energy and communications projects; 670,000 yuan was money spent to buy small cars and other special commodities without examination and approval; and 160,000 yuan was allocations for additional retentions and special funds.

Judging from the situation found during the inspection, the main problems are:

1. The institutions which had income indiscriminately issued bonuses, goods, and wages. The provincial construction design institute's net income in 1984 was some 1 million yuan. It issued bonuses, subsidies, and goods whose value was as high as 310,000 yuan. Each person received an average of 885.7 yuan, which is equal to 10 months' standard wages. In 1985 it issued bonuses, subsidies, and goods whose value reached 510,000 yuan. On average, each person received 1,457 yuan which was equivalent to 18 months' standard wages.

2. Income was withheld, payment was in arrears for the key energy and communications projects, and funds for production were misappropriated.

3. The financial system was not sound and management was chaotic. The service department of the (Zhiyong) Museum had not made an inventory of its nonstaple commodities for a long time and losses of 13,000 yuan in meat and high-grade commodities was reported on one occasion. Their receipts were not supported by vouchers and they did not promptly pay in money collected. They used foreign exchange certificates of some 44,000 yuan without authority and approval to buy high-grade bicycles and sold them to workers and households connected with them.

/12913
CSO: 4006/766

ECONOMIC MANAGEMENT

BRIEFS

HUNAN INDUSTRY, COMMERCE--The number of individual industrial and commercial households in Hunan Province the end of last year was some 590,000 or 30 percent more than in 1984. Last year, industrial and commercial administrative departments at all levels in the province vigorously supported the development of the individual industrial and commercial undertakings. They simplified the procedures for the business registration of the individual households and helped them solve practical problems of factory sites, technology, and raw materials. Last year they ran some 100 technological training courses and trained some 20,000 sewing, clock, watch, and radio repair workers, barbers, and photography workers. [Summary] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 16 Feb 86 HK] /12640

FINANCE AND BANKING

TAX, FINANCIAL AFFAIRS INSPECTION STIPULATIONS ISSUED

Beijing SHANGYE KUAIJI [BUSINESS ACCOUNTING] in Chinese 10 Nov 85 pp 3-5

[Article: "Certain Stipulations on Handling Relevant Financial Affairs Problems in General Financial Inspection"]

[Text] [Editor's note] Based on State Council National Document No 101 (issued 1985), Ratification of Ministry of Finance Circular, "Report on Launching of General Tax Revenue and Financial Affairs Inspection," the Ministry of Finance printed and distributed "Certain Stipulations on Handling Relevant Financial Affairs Problems in General Financial Inspection" on 31 August 1985 in Finance Work Document No 314 (85). Following is the full text of the "Stipulations." [End of editor's note]

In order to enforce party discipline and national law, correct unhealthy tendencies and maintain national revenue, based on present national policies and laws and regulations, the following stipulations are specially made on handling certain relevan financial affairs problems in general financial inspection.

1. All violations of national stipulations and appropriations of the following national revenue must be cleared up:

A. All revenue which should be turned over to the state that enterprises retain and misapproriate, such as private, trial and exhibit-sale product profits; joint management profits acquired by contract-stipulated division with foreign units; profits acquired by using the market regulation method to carry out production management activity beyond state plans; foreign trade product profits; profits from products sold on commission at negotiated prices; profits from running tertiary industries; profits from trial production carried out by newly built factories, mines, and shops; state trade corporation (warehouse) profits; local trust company profits; all labor service, rental, and technology transfer revenue; revenue from waste products and waste materials offered for sale; overdue packing material deposits; all indemnity, penalty, and other revenue must be repaid in full to public finance.

Enterprises that practice fraud and report false losses must be dealt with sternly. Fraudulent loss subsidies should be repaid in full to public finance.

B. All violations of "State Enterprise Cost Management Regulations" and financial accounting system stipulations, willful collusion to make, and making of, false reports of extra costs and expenses or extra business expenses, and appropriations of national revenue must be rectified and repaid in full to public finance.

All registered account profits and losses which enterprises should have, but have not, shared in or paid, and fixed deposit interest which banks have listed falsely and should have but have not, paid, minus 1984 closing profits, should be verified and cleared up promptly, and revenue which should be returned must also be repaid to public finance.

Costs which should be paid, according to stipulation, out of enterprise special funds but are included in production and commodity circulation costs, should begin to be paid out of all enterprise special funds, and profits should be repaid according to stipulations. If what is to be repaid cannot be paid from the relevant special fund that year, it can be collected and paid according to stipulation from the special fund in question the following year.

C. Extra above-purchase-price costs which should be turned over to the state, such as illegally obtained grain, oil, and cotton extra above-purchase-price costs and those of oil, oil-bearing crops, and beyond-plan export grain and oil, which grain, oil and cotton enterprises acquire by buying at parity prices and reselling at high prices through such means as "substituting negotiated prices," "exchanging varieties" and "reserving for the team," should all be turned over in full and on the spot to the national treasury. Excessive price-difference subsidies gained by enterprises through violating grain and oil sales policies by reselling at negotiated prices purchased at grain and oil parity price, should also be turned over to public finance.

D. When foreign trade enterprises force up commodity procurement prices by rushing to purchase, thus increasing export commodity costs or, when selling abroad or in other parts of China, competing to sell at low prices, thus increasing national losses, this must all be corrected conscientiously and dealt with sternly. Such things as fraudulent and falsely listed domestic market losses and falsely increased procurement and transfer link costs must all be inspected thoroughly, verified, and turned over in full to public finance.

E. All unauthorized increasing, without Ministry of Finance approval, of such special funds as depreciation funds, renewal and transformation funds, general repair funds, and staff member and worker welfare funds through withdrawing parts of national revenue must be corrected. The excess amount withdrawn should be recovered in full and repaid to public finance.

F. Technology loan projects which have not been completed and put into operation, or have not achieved the anticipated results after being completed and put into operation, and which have used former enterprise profits to repay loans, must repay loans from enterprise special funds and repay the profits according to stipulations.

G. Price-difference revenue from foreign exchange which enterprises keep in order to offer for sale at higher than state-stipulated foreign exchange trade closing prices, and profits which they acquire through using retained foreign exchange to buy and resell state-controlled import commodities at a profit, after compensating for export product losses, must be turned over to public finance according to stipulation. Activities which violate national foreign exchange control stipulations, such as buying and reselling at a profit and illegally converting foreign exchange and foreign exchange certificates, must be dealt with sternly. Revenue illegally obtained in this way should be turned over in full to public finance.

H. Illegal profits obtained by unauthorized enterprise raising of prices should be turned over to public finance according to the stipulations of State Council and Central Discipline Inspection Commission National Document No 104 (issued 1983) and Ministry of Finance, State Price Bureau and China People's Bank Finance Budget Document No 20 (84).

The giving and accepting of "sales commissions" and "brokerage fees" should be corrected. Accepted "sales commissions" and "brokerage fees" should be cleared up and turned over to public finance. All distribution of "sales commissions" and "brokerage fees" to staff members and workers is of a corrupt and bribetaking nature and must be recovered in full; those which cause economic losses must be compensated for, and those which are serious must be punished according to law.

2. That portion of unauthorized excess withdrawn and excess retained profits which enterprises retain as profits or withdraw to reduce losses, and which is not according to state-ratified proportions, should be repaid in full to public finance.

Enterprises which have not been subject to state-ratified profit-and-loss responsibility should all carry out the method of substitution of taxes for profits according to state stipulations, and their excess retained and distributed profits should be repaid to public finance.

3. All wages, allowances, bonuses, subsidies, and material objects which are issued in violation of state stipulations should be handled according to the following methods, and funds which should be recovered by public finance, must all be turned over to public finance:

A. Bonuses issued by enterprises, except for those otherwise stipulated by the State Council, the Ministry of Finance and the Ministry of Labor and Personnel, should be paid by withdrawing staff member and worker award funds. Bonus taxes paid by enterprises according to law should also be paid from enterprise staff member and worker award funds. All bonuses misappropriated from production development funds, new product trial-production funds, staff member and worker welfare funds and reserve funds should be paid from award funds. All bonus payment that violate cost or profit stipulations should be rejected in full.

The wrong method of enterprises giving out "red packages" [hongbao 4767 0545] should be corrected resolutely, and reissuing of them is forbidden. Those that were issued in the past should be uniformly channeled into the total amount of bonuses and bonus taxes should be paid on them according to law.

B. The costs or price differences of all goods and materials, such as washing machines, tape recorders, refrigerators, television sets, radios, furniture and other goods that enterprises have given free or sold at subsidized low prices to staff members and workers, should be recovered at once or by stages. The price-difference losses of material objects that staff members and workers wish to return for enterprise commission house purchases should be paid through each unit's withdrawn award funds.

C. Unless approved by the State Council, no enterprise unit may use public funds to make or issue clothing. The costs of those which units have manufactured and issued on their own should be dealt with according to the stipulations of such documents as State Council National Document No 145 (issued 1984), Ministry of Finance Finance Work Document No 13 (85) and National Social and Collective Purchasing Power Control Office Purchase Control Document No 3 (85). The part belonging to individual responsibility should be paid by individuals; that which has been paid from public funds should be deducted in full. The part belonging to public responsibility should all be paid through award funds; that which has been listed as costs, expenses, or extra business expenditures, should be deducted in full.

D. The providing of free lunches by responsible departments and enterprise stipulations not subject to State Council approval should be corrected resolutely. Costs that have been paid should be paid through award funds; those that have been listed as and paid through costs or extra business expenditures must be deducted in full.

E. Floating wages, etc., included in costs, which should be paid through award funds by enterprises that have not carried out wage reform, should be rejected in full and paid through award funds; enterprises which have linked payrolls to economic results but have withdrawn too many wage funds by changing the wage base, the taxes and profits turned over to the state, and floating proportions, should be dealt with according to the relevant national enterprise wage reform stipulations.

F. All self-made products and goods and materials that enterprises have distributed in private or sold at low prices to staff members and workers, and products that they have provided to other units or individuals for trial use, trial viewing or trial listening, regardless whether they have been written off, should be evaluated, cleared up, and recovered. Funds that are difficult to recover at once can be recovered in installments within a year.

Bonuses that enterprises have given to higher authorities or related units should be recovered by the enterprise; the part they are really unable to recover should be incorporated in the amount of bonuses enterprises have actually issued, and bonus taxes should be paid on them according to law.

4. According to the stipulations of "Certain Intra-Party Political Life Criteria" and relevant Central Committee and State Council documents on strictly forbidding the use of public funds and public property to entertain guests or present gifts, the responsibility must be investigated and affixed for, and the necessary political discipline and punishment given to, those who approve of, or are involved in, enterprises misusing public funds and public property, entertaining guests or presenting gifts, taking trips to scenic spots, squandering national assets, and creating heavy losses and waste. Those involved in serious cases should be reported to leaders and dismissed from their posts.

5. All transforming of state-owned enterprises to collective ownership, transferring of budgeted enterprises to extra-budgetary ones, or transferring of some state-owned enterprise shops and retail departments or buildings and equipment built by state ownership system investment to collective ownership, except that subject to provincial, autonomous region, or directly administered municipality people's government special approval, must be investigated and cleared up conscientiously and corrected resolutely, and revenue which should be turned over to the state must be recovered.

6. All free transferring of state funds to collective funds through such means as setting up labor service companies or other collective organizations, or selling of national materials and products at allotted or low prices to these organizations, which then offer them for sale at high prices or obtain income from receiving commissions, should be cleared up, inspected, and corrected conscientiously. Illegal revenue acquired in this way must be turned over to public finance.

The giving of state revenue by state-owned units to subordinate collectively owned units through deliberately using such methods as reducing raw and processed material prices, raising processing cost standards or contributing less wages and expenses, should also be inspected and corrected, and unfair revenue obtained in this manner should be recovered and promptly turned over to public finance.

7. Enterprises must thoroughly clear up staff member and worker debt, draw up plans for debtors to repay in installments and carry them out strictly. Installment repayment deadlines must not generally exceed 1 year. Unauthorized exemption of staff member and worker debt must be inspected and corrected, and the responsibility of units which approve of, and of the personnel concerned in such exemption, must be investigated and affixed. All public funds loaned for private use on any pretext must be cleared up and recovered; staff members and workers who use borrowed public funds to speculate or for other illegal means to seek personal gain, must be given appropriate administrative and economic punishment according to their various situations. The criminal responsibility of those who have committed crimes must be investigated and affixed according to law.

8. All units should thoroughly check up on all small safes and small public businesses. Revenue found in such places that belongs to the state should be cleared up and turned over to public finance, and that belonging to enterprise units should be entered into accounts by financial accounting departments

and handled according to relevant stipulations. Funds embezzled or squandered by individuals which are found in small safes or small public businesses must be cleared up and recovered.

9. Specially controlled commodities bought by enterprises in serious violation of state stipulations controlling social and collective purchasing power should be confiscated completely and distributed for other use by the people's government or responsible departments.

10. Fines and overdue fines for taxes evaded or owed by enterprises (including extra-budgetary enterprise units), should be listed as and paid through enterprise retained profits or other funds. Those calculated as and paid from product costs and expenses or extra business expenditures must be deducted.

11. All arbitrary apportionment, not subject to State Council approval, of enterprise funds and costs by all regions, departments and units, should be corrected. Enterprises should refuse to pay all apportioned funds which do not conform to state stipulations.

12. All revenue which must be repaid should be turned over to public finance at all levels according to enterprise subordinate relations and be inspected, cleared up, and stored conscientiously. Specific units which truly have trouble repaying at once must work out repayment plans, report them to public finance departments for investigation and approval, and turn the revenue over to the state in installments.

13. Enterprises that inspect their own problems on their own initiative through self-inspection and promptly repay profits that should be turned over to the state, subject to public finance department verification and approval, can be handled leniently, but must still calculate and withdraw post-tax retained profits or proportions. As soon as something that is hidden, not reported, and covered up is discovered, it should be turned over in full to public finance, and fines should be imposed according to relevant state stipulations. The administrative and even the legal responsibility of enterprise leaders and personnel involved in serious cases must be investigated and affixed.

Enterprises which object to the handling of discovered problems should, on one hand, handle them first according to public finance department suggestions and, on the other, report them to the concerned higher level public finance departments for discussion and adjudication.

14. If some problems discovered in this inspection are caused by people's governments or responsible departments at all levels overstepping their jurisdiction and issuing their own stipulations, concerned regions and departments should promptly dispatch messages to correct them.

15. If cases of economic violation, such as graft and embezzlement, speculation and bribery, are discovered in this inspection, enterprises and higher authorities should organize special forces, inspect them thoroughly, and deal with them sternly. Crimes should be submitted to judicial organs for handling according to law.

16. All problems of violation of financial and economic discipline discovered in this inspection, whether occurring prior to 1984 or after 1985, should be handled according to these stipulations. As to other problems not covered by these stipulations, each region and department can formulate supplementary measures based on the spirit of these stipulations and report them to the Ministry of Finance for the record.

12267/7687
CSO: 4006/381

URGENT PROBLEMS IN SHIP WELDING ADDRESSED

Shanghai ZAOCHUAN JISHU [JOURNAL OF MARINE TECHNOLOGY] in Chinese No 1 (59) Jan 85 pp 45-46

[Article by Yu Weiming [5713 4850 2494]]

[Text] Welding is one of the critical techniques in shipbuilding and accounts for roughly one-third of the worktime in ship construction. Increased shipbuilding and higher standards of quality have been accompanied by a rapid increase of activity as regards welding techniques, equipment, materials, and welding instruction. Here we will discuss some urgent problems in marine welding which should be amenable to solution.

1. Faster construction of welding equipment and greater production of welding materials

Most Chinese welding equipment is modeled on equipment that was used abroad in the 1950's; compared with modern Western equipment, ours is bulky, heavy, energy-inefficient, and unproductive. The basic situation can be summarized as follows:

a) The equipment is very old--regulations permit the use of equipment as old as 20 years, which is much longer than the 7-year lifetime in Japan or the 10-12-year lifetime in the Soviet Union. Thirty-four percent of our welding equipment has been around for more than 23 years, was never of very high quality, and has not been properly maintained. Consequently, only 50 percent of the equipment is in good working order; 32 percent is usable in an emergency, while the remaining 18 percent should be scrapped (the latter percentage is constantly increasing).

b) Two-thirds of the electric power generators used in hand-held electric arc torches are of the dc rotor variety; welding tools of this type are noisy, energy-inefficient, difficult to design and maintain, and are essentially obsolete outside China.

c) A very high percentage--up to 85 percent--of all ship welding is done using hand-held torches. There is a shortage of more efficient welding equipment, such as gravity welders, CO_2 safety welding tools, multifilament submerged-arc welding devices, etc.

d) Specialized welding equipment is not available for off-shore platforms, e.g., suspension submerged-arc welders with one or more filaments, protective gas welders of the suspension type, gas-activated power sources for carbon arcs, etc.

The plight of the major shipbuilding plants has reached the point where updating of outmoded equipment is absolutely essential.

The plants in the Ministry of Equipment and Industry system responsible for manufacturing welding equipment can provide only general-purpose equipment used in large quantity. The 800-amp carbon arc sources needed in certain shipbuilding operations are unavailable, as are power sources capable of long-distance operation which are equipped with automatic circuit breakers, can control the torch temperature and other characteristics, and have high no-load voltages and safety insulation. Because the welding needs of the shipbuilding plants are relatively modest, there is little incentive for the average plant to do research and development in this area. These needs have thus been neglected, to the detriment of progress in ship welding.

Some plants have attempted to remedy this situation by producing the equipment themselves, or by providing materials and blueprints to other plants that will build the equipment for them; however, this is wasteful and gives poor results.

Plans at the major shipbuilding plants all call for adding new welding equipment within the next decade. However, the plants in the Ministry of Equipment and Industry system will be hard-pressed to manufacture this welding equipment entirely on their own. Moreover, new types of welding equipment are constantly required and must be continually updated in order to construct new ships, off-shore platforms, etc.

The materials employed in marine welding include welding electrodes, welding wires, flux, safety wires with inert CO_2 gas, gravity welding electrodes, high-efficiency iron-powder electrodes, cored electrodes, diverse type of pads, etc. These various materials are all needed in great quantity.

The Ministry of Equipment and Industry is essentially capable of meeting the demand for ordinary welding electrodes of the acidic or alkaline types. This is not true, however, of some other types of sepcial-purpose welding materials needed in marine welding, such as gravity welding electrodes, high-efficiency iron powder, and cored electrodes, pads, and certain types of welding electrodes used to construct platforms. While many materials are needed, the need for any specific material here is quite modest, too small to be of much interest to the welding-equipment manufacturers. Even if the latter were to undertake this responsibility, for various reasons a long-term stable supply could not be guaranteed. This shortage of welding materials has been partly responsible for preventing the general use of the gravity electrode and CO_2 safety welding techniques at Shanghai shipbuilding plants. This problem will become more acute as more new ships of higher quality are built.

The problem of the rapid construction of welding equipment and materials thus needs to be addressed. Specifically, R&D must be done on welding equipment and materials suited to the special needs of shipbuilding, and on ways to manufacture them. Foreign technology, supplementary trade, and Chinese and foreign joint investment may help to speed up this process.

China has several well-known welding electrode shops (some more than 20 years old), and the basic technical and equipment prerequisites are well in hand. The well-known welding electrodes manufactured by these shops have been certified by classification societies. Their contribution to Chinese shipbuilding can be increased simply by making some minor technical adjustments to fully exploit their advantages and by introducing appropriate techniques and equipment as required.

Production of welding equipment for shipbuilding can also be stepped up by assigning production to additional plants now operating under capacity; manufacturing centers based on imported technologies can be formed quickly.

2. Welding Instruction Centers

Although welding techniques and conditions in the shipbuilding industry compare favorably with those in China as a whole, the basic theory and technology is still far from adequate to support China's developing shipbuilding industry. Most of the workers involved in welding entered the plants during the 1970's (a few of them are graduates of technical vocational schools); the middle-aged workers who entered in the 1960's are somewhat better qualified, but even here improvement is needed.

Welders will be needed to work on ships for export in the years ahead. These workers will require training, supervision, and certification before they can be put on the job. Although many plants have invested much energy and human and material resources in working training, both the standards and the methods adopted leave something to be desired.

The training of welders is a long-term day-to-day project. According to the specifications of the Department of Labor, workers must pass a safety test before being authorized to do specialized welding work on a continuous basis (workers will also be retested periodically, as they are expected to undergo continuous retraining). This is no different from the policies adopted by ship classification societies outside China--workers are frequently trained and given qualification tests before being permitted to weld. Older workers must be retrained to update their knowledge and combat technical obsolescence, while ways must be found to train new welders with ever-higher qualifications. There are numerous plants overseas (e.g., the VIE Corporation in France, which manufactures oil-drilling platforms) that have made arrangements jointly with shipbuilding plants to train welders both young and old on rotating schedules.

The shipbuilding industry in China still lacks a central facility for training welders; the effects on shipbuilding are likely to be harmful if this is not remedied.

Centers for instruction in welding should therefore be set up promptly to train welders on a rotating schedule. If the centralized corporate systems encounter difficulties in handling the load, local welding instruction centers can also be set up in regional corporations by transferring the necessary personnel (such personnel will have strong backgrounds in both the theory and practice of welding).

12617/6662
CSO: 4008/360

SHANXI NOTICE URGES BOOSTING INDUSTRIAL OUTPUT

HK200249 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 19 Feb 86

[Excerpts] The Provincial Rconomics Vommission recently issued an urgent notice calling on the leaders at all levels in the industry and communications to get a good grasp of work in the remainder of the first qaurter to ensure that industrial production and economic results during the quarter exceed the growth rate for the same quarter last year.

The circular said: Shanxi's industrial production continued to rise steadily during January. Total output value was 1.555 billion yuan, an increase of 3.5 percent over January 1985. This included an increase of 9.7 percent in light industry and 1.1 percent in heavy industry.

The circular pointed out: the province's growth rate allowed in January and was below the national average growth figure. Unless we take effective steps to rapidly transform this situation, the first quarter will be directly affected and growth rate and economic results over the whole year will also be affected.

To strive for a relatively good growth rate during the first quarter, the circular demanded that prefectural commissioners and mayors in charge of industrial and communications production carry out a thorough analysis and study of January production and economic results. They should take effective steps to deal with existing problems, and boost production during the second half of February and in March.

/12913
CSO: 4006/778

CONSTRUCTION

MEETING DISCUSSES DIVERSION OF HUANG HE WATER PROJECT

SK270159 Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Feb 86

[Excerpts] The headquarters for the project of diverting the Huang He water to support Qingdao was established on 25 February and held its first meeting. Lu Hong, vice governor of the province and commander of the project, presided over the meeting. Li Changan, deputy secretary of the provincial CPC Committee and governor of the province, spoke at the meeting.

Governor Li Changan stressed: The project of diverting the Huang He water to support Qingdao is a key state project to be constructed in our province during the Seventh 5-Year Plan period. Governments and departments at various levels should regard it as a major task and grasp it. The headquarters for the project should be given full power for directing the construction. The headquarters established by the province is a strong leading organization which has both duties and powers, and also representes a system for unified direction. Deparmtents in charge of the project at various levels should abide by its command, and safeguard the overall interest. The issue concerning the investment responsibility for the project should be resolved well. In order to ensure the construction of this key project, all departments concerned should actively participate in the construction, contributing whatever they have--money, manpower or materials,-- and shouldering together the exceptionally heavy responsiblity.

Responsible comrades of the Jinan Military region and more than 20 provincial units attended the inaugural meeting.

The project of diverting the Huang He water to support Qingdao starts from the Huang He water diverting sluice gate in (Dayuzhang) of Boxing County. It is 286.64 km long, running through 10 counties and districts of three cities and one prefecture. Construction will begin in the second quarter of this year, and will take three years to complete. Rounding-off work will be done in the fourth year. Total investment in the project is 800 million yuan. After completion, it can provide 300,000 tons of water to Qingdao daily.

/12913
CSO: 4006/778

BRIEFS

BEIJING COMMODITY SALES--Beijing Municipality's total volume of commodity retail sales reached 12.75 billion yuan last year, increasing by 25.3 percent and more than 100 percent over 1984 and 1980, respectively. Conspicuous changes took place in its consumer goods markets. Compared with 1980, the sales of television, washing machines and refrigerators increased by 1, 4 and 11 times, respectively. [Excerpts] [Beijing BEIJING RIBAO in Chinese 13 Jan 86 p 1 SK] /12913

CSO: 4006/772

BUSINESS CHINA ANALYZES FOREIGN TRADE SITUATION

HK160730 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 16 Feb 86 p 1

[By Carolyn Lueng]

[Excerpts] China will have to maintain tight controls on imports, domestic credits, prices and strive to revive slumping grain production this year, according to a report in BUSINESS CHINA.

Foreign exchange, the report suggests, will be closely husbanded and foreign exchange spending will continue to be scrutinised. Approval levels enjoyed by some municipal governments could be lowered. Companies trading with China should expect the closure of some small import and export companies due to the clamps on foreign exchange as well as possible moves by the Ministry of Foreign Economic Relations and Trade (MFERT) to control the operating standards.

"Reneging on contracts under the impetus of foreign exchange shortages may occur," it said. "Efforts to break contracts down to smaller, more financially manageable lots may be made. Demands for more expensive training associated with sales may be heard. More competition will be felt from USSR and Eastern Europe especially in machinery and vehicle sales." The report also suggests that MFERT might work out a system of trade credits this year.

Companies which have reached the negotiation level are advised by BUSINESS INTERNATIONAL to prepare for longer terms or joint equity ventures. "Chinese authorities' fears of falling foreign exchange reserves will heighten their already intense interest in direct foreign investment," it said. "Terms of 50 years or longer will be granted this year. Besides, MFERT's usual attention for balancing foreign exchange will intensify." That means companies have to provide more detailed plans for generating foreign exchange before the approval of business deals. The negotiating companies are also advised to resist any possible demands for Chinese services in foreign exchange.

However things will brighten up for companies which are actually running in China. According to the report, existing companies in China will have better opportunities and more success in recruiting managerial and technical personnel.

The implementation of industrial and economic reforms in China also sparked a few problems, such as high and rising prices spurred by increasing investment and consumption demands and relaxed credit control.

BUSINESS CHINA also predicts a huge trade deficit for China because of fast growing foreign trade. China's imports of rolled steel, chemical raw materials and consumer durables have grown substantially.

Meanwhile another report in BUSINESS CHINA criticised China's new 14-article regulations which apply to all joint equity and contractual joint ventures. They won't solve foreign exchange problems, it says. The rules were formulated by the State Council last month and became effective at the beginning of this month. They suggest three ways to solve the foreign exchange problems suffered by joint venture companies--sales, exports and multi-investment. Stipulating a number of articles, the joint venture manufacturers can sell their products in China for foreign exchange under import substitution arrangements, or apply to sell a large portion of its high-technological products within the country, or simply allow any joint venture companies to sell to any PRC customers for foreign exchange as long as it receives permission from relevant authorities.

"The critical issue here is finding Chinese customers or partners who are willing to pay foreign exchange especially at these times of tight foreign exchange control," commented the BUSINESS CHINA researchers.

The new regulations also state that joint venture companies may export non-joint venture products to earn foreign exchange. But MFERT must approve the exports; they must be exclusively handled by the central government and need an export license or come under export quotas. "Prohibited by Chinese regulations from procuring products that are exported by Chinese foreign trading companies, the joint venture companies can only deal with products that are almost never exported," the report said.

According to the new regulations, foreign investors with more than one joint venture in China can use the foreign exchange surplus of one venture to subsidise the other. Besides, the regulations also specify that joint venture companies which are heavy in renminbi earnings may re-invest in other ventures to generate foreign exchange income. According to BUSINESS CHINA, the re-investment method is being used by a number of companies which have diversified into hotel and tourism industries. However, the report says that many companies lack the ability to run both industrial and tourist ventures and even if they do, they are reluctant to start up any new ventures when the foreign exchange control is still tight.

/8309
CSO: 4020/244

FOREIGN TRADE AND INVESTMENT

JIANGSU PROMOTES JOINT VENTURES WITH FOREIGN FIRMS

OW151558 Beijing XINHUA in English 1455 GMT 15 Feb 86

[Text] Nanjing, 15 Feb (XINHUA)--Jiangsu, a coastal province in east China, has established 617 joint-venture enterprises with foreign firms in the last six years, with a total foreign investment of 210 million U.S. dollars.

Eighteen of these joint-venture enterprises, which have already gone into operation, have earned over six million U.S. dollars from exports of their products.

Joint ventures are now located in 11 cities in the province, compared to only three when it first opened its doors to foreign investors a few years ago.

The fields covered by these joint ventures have also expanded from textile and light industries to electronics, machinery, metallurgical and building materials. Joint-venture hotels and other service facilities have also been built.

There are also more technology-intensive and export-oriented joint-venture enterprises, as imported technologies have helped improve the quality and enrich the variety of products.

A Sino-Japanese plant produced 400,000 pairs of leather gloves in the first five months of its production. They were sold for 600,000 U.S. dollars on the international market.

Another joint-venture enterprise in Nantong exported over three million pairs of work shoes since it began production in 1983, earning a total of over five million U.S. dollars. The enterprise is expected to earn a net profit of 2.8 million U.S. dollars from its exports annually.

/8309
CSO: 4020/244

PRC ATTEMPTS TO HALT EXPORT OF PARALLEL GOODS

HK070401 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 7 Feb 86 p 1

[Article by Paul Sham]

[Text] China is to give new subsidies to some of its centrally-controlled export companies as part of its move to curb the outflow of parallel goods, according to China trade sources.

The latest measure, following the extension of the export license system and a clampdown on foreign exchange black markets, is also aimed at boosting China's foreign exchange earnings.

Sources said it should help to remove the danger of firms incurring losses as a result of rising production costs at home and falling selling prices overseas.

The exporting companies will be able to sell their products at prices more responsive to the market, they said.

And if the measure enables the firms to regain market share lost to parallel goods, China should increase its foreign exchange income.

Profits from sales of parallel goods usually remain at the regional level, while a large proportion of those earned by official import and export companies are transferred to the central authorities.

Hong Kong traders learned of the latest measure at a recent meeting with officials of the China National Cereals, Oils and Foodstuffs Import and Export Corp, Gjangdong branch, to discuss ways of improving trade arrangements.

Under a practice similar to that existing before China's open-door policies were introduced, firms will be given specific export targets and official prices will be set.

Sources said China traders have been told to sell their current inventories, regardless of the original cost, and have been promised better prices by next month.

The new arrangement will be extended to other lines of product which are suffering from the trade in parallel goods, they added, although the exact scale is unclear.

Despite various measures to curb the outflow of parallel goods, products such as canned food and herbal medicine are still flooding into Hong Kong.

For the past two years, most of the business of China's import and export companies has been undercut by regional concerns or individual enterprises.

Under no strict scrutiny of the Ministry of Foreign Relations and Trade, these firms can offer prices more than 20 percent lower than the official import/export firms.

A flourishing foreign exchange black market in China has also kept down the price of parallel goods since unofficial agencies are willing to accept lower prices as long as they are paid in foreign currencies.

/8309
CSO: 4020/244

FUJIAN GOVERNOR ADDRESSES CORPORATION BOARD

OW180855 Fuzhou FUJIAN RIBAO in Chinese 6 Feb 86 p 1

[Excerpts] "In the new year, Huafu Corporation must make a still better showing and play its important pillar role in conducting multichannel, multifunctional economic activities with foreign countries according to the principle of 'development, importation, association, and service,'" the Governor Hu Ping stressed at a board meeting of Huafu Corporation yesterday afternoon.

Last year, Huafu Corporation absorbed $11 million of foreign and overseas Chinese capital; signed contracts for running 17 joint venture enterprises with credit investments; imported 67 kinds of technologies and equipment to transform existing enterprises; and earned over $8 million in foreign exchange, thus making a valuable contribution to our province's economic relations with foreign countries.

Comrade Hu Ping affirmed the achievement made by Huafu Corporation. Speaking on the corporation's tasks in the new year, Comrade Hu Ping emphasized that Huafu Corporation must not be content with its present condition. It should continuously open up new operational fields, areas, and channels, and develop new businesses and new flexible methods of doing business.

Governor Hu Ping also said that in its economic relations with the outside world, Fujian must pay attention to the following points: First, primary facilities must be built and sea transportation opened up; second, while ensuring adequate grain output, the agricultural structure must be readjusted well, fine seeds introduced, processing intensified, foreign exchange-earning agriculture developed, and rural enterprises expanded; third, in industry, emphasis must be placed on transforming existing enterprises, developing new products with imported technology, and assisting remote poor areas in developing industries; fourth, great efforts must be made to earn foreign exchange, establish export commodity bases, and improve the methods of distributing foreign exchange; and fifth, efforts must be stepped up to train qualified personnel for conducting economic relations with the outside world, in particular, such "software-type" personnel as manager, administrators, legal experts, and accountants.

/12640
CSO: 4006/48

SHANXI PROVINCE SETS EXPORT RECORD IN 1985

OW230803 Beijing XINHUA in English 0648 GMT 23 Feb 86

[Text] Taiyuan, 23 Feb (XINHUA)--North China's Shanxi Province chalked up a record in exporting industrial and agricultural products in 1985, a provincial foreign trade official disclosed here today.

He said the province exported 226.8 million U.S. dollars worth of goods last year. The goods purchased for export accounted for 2.2 percent of the province's total industrial and agricultural output value as against only 1.8 percent in the preceding year.

Shanxi is one of China's major coal producers. Last year, it exported 3,400,000 tons of coal or about half of China's total coal exports to a dozen countries and regions including Japan, Britain, France and Thailand.

At the same time, much progress has been made in importing foreign investment and technology. The province imported 80 items of technology and cooperative schemes, involving 55.38 million U.S. dollars.

The province exports to 48 countries and regions in the five continents and has established cooperative relations with 19 firms from seven countries.

The provincial foreign trade official said that preparations are being made to set up a customs house in Taiyuan to meet the growing needs of the province's foreign trade.

/8309
CSO: 4020/244

FOREIGN TRADE AND INVESTMENT

SHANDONG REPORTS PROGRESS IN FOREIGN COOPERATION

SK200532 Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Feb 86

[Text] After breaking from the long-standing closed economic situation, our province has achieved encouraging progress in economic and technological cooperation with foreign countries. Since the 3d Plenum of the 11th CPC Central Committee, party and government leaders and economic departments throughout the province have become active and brave in making explorations and progress, and have accelerated the pace of foreign economic and technological ties and cooperation through implementing the party's policy of opening to the outside world and enlivening the domestic economy. Measures for the cooperation have developed from processing with materials provided by foreign firms and compensation trade to the establishment of China-foreign joint ventures and cooperative enterprises, and the scope has extended from light industrial and textile trades to industry, agriculture, commerce, communications and transportation, and aquaculture.

To date, our province has established economic and trade ties with more than 140 countries and regions of five continents of the world. Through the economic and technological cooperation, our province has expanded its foreign fund utilization and technology imports to a considerable scale. From 1979 to the end of 1985, in addition to the 11 key projects built in our province with foreign funds under the state unified plan, our province made arrangements for the construction of some 580 projects, using more than $700 million in foreign funds. Agreements have been signed for 417 of these projects, for which $369 million in foreign funds was used.

Since 1984 when the State Council approved the opening of Qingdao and Yzntai to foreign countries, our province has greatly speeded up its pace of foreign funds utilization, technology imports, and renovation of old enterprises, and has markedly increased the channels of foreign ties, thus further expanding the fields of cooperation. During the past year or more, Qingdao and Yantai cities have concluded $315 million in transactions on foreign fund utilization, and have technically transformed 300 enterprises with the funds and technologies brought in from abroad.

/12640
CSO: 4006/48

LIAONING REPORTS RESULTS FROM FOREIGN TECHNOLOGY IMPORTS

SK251004 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT
24 Jan 86

[Text] Our province achieved new breakthroughs in foreign capital utilization and technology imports. Thus far our province has established economic and technological cooperative and trade ties with more than 130 countries and regions. In the past 2 years the total transactions in contracts signed with foreign countries totaled $1.3 billion, 4.6 times the total of the previous 5 years. Last year alone our province signed 1,190 contracts with foreign countries, with the transactions totaling $860 million. Of the contracts, 155 were contracts on direct foreign capital utilization, totaling $380 million. The number of productive and technology-intensive projects increased.

A total of 66.4 percent of the transactions in contracts on foreign capital utilization and technology imports were signed by the metallurgical, machinery, electronics, postal and telecommunications, chemical, building materials, and light and textile industries, which were designated by the state to be transformed on a priority basis. Thanks to imported advanced technologies and equipment, enterprises increased their capability to earn foreign exchange through exports. The total value of the commodities purchased for export last year showed an increase of 800 million yuan over 1980. Of the increase, 80 percent should be attributed to imported technologies and equipment.

During the Sixth 5-Year Plan period 79 percent of the technology import projects of the textile enterprises throughout the province were carried out for the purpose of producing export commodities. They earned $65 million in foreign exchange every year. Since 1979, payment production enterprises have increased their competitive edge on the international market through technology imports. The total volume of their exported garments grew from $12 million in 1978 to $80 million in 1984. This was an increase from 3.8 to 10 percent of the total volume of exported garments in the country.

/12640
CSO: 4006/748

FOREIGN TRADE AND INVESTMENT

BRIEFS

ZHEJIANG MARINE PRODUCTS EXPORTS--Zhejiang earned more than $16 million from marine products exports in 1985, exceeding the plan by 1.63 times. The province exported 57 kinds of marine products to 11 countries and regions last year. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 5 Feb 86 OW] /12640

ZHEJIANG IMPORT EXPORT FREIGHT--Total volume of Zhejiang's import and export freight in 1985 reached 3.55 million metric tons, an all-time record, fulfilling Zhejiang's 1985 import-export plan. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 5 Feb OW] /12640

JIANGXI EXPORTS TUNGSTEN--Tungsten products manufacturing enterprises in Jiangxi Province have raised their economic efficiency by importing advanced technology and carrying out technical transformation. In 1985 Jiangxi earned a foreign exchange of $18 million by exporting heavy ammonium tungstate alone. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Feb 86 OW] /12640

SHANGHAI TO INSPECT COMMODITIES--The Shanghai Municipal Government recently approved and transmitted implementation measures for inspecting import and export commodities. The implementation measures stipulate: Enterprises in Shanghai that produce or process export commodities; those that engage in foreign trade by importing and exporting commodities; those that order, take delivery of, and transport import commodities, and their agencies; import commodity warehousing and transporting departments; and other related departments must subject their inspection and quality-control work to the Shanghai Municipal Commodity Inspection Bureau's supervision and control. The implementation measures also contain specific regulations regarding inspection of the quality of processing and transport of export commodities. [Text] [Shanghai City Service in Mandarin 0100 GMT 18 Feb 86] /12640

SHAANXI USING INVESTMENT, TECHNOLOGY--In the past 2 years, the province has made breakthrough developments in using foreign investment; importing technology providing external aid, achieving international economic cooperation and so on. This symbolizes that the province has changed its economy from the closed-door type to an open door. Since 1984 when the province held the international economic and technological cooperation talks, the province has expedited its pace of opening to the outside. The external economic activities of various localities and departments became more vigorous than ever before. According to the provincial department for foreign economic relations and trade statistics, by the end of last year, the province approved 81 items of involving projects using foreign investment, totalling over $513 million. There were 59 approved Sino-foreign joint ventures and cooperative enterprises, of which 35 have registered themselves with the authorities and have been issued business licences. Since 1979, the province has accomplished 427 items of importing technology, of which 86 percent were done in 1984 and 1985. The imported technology and equipment is used mainly by such trades and machine-building, electronic instruments, and the textile and food industries. Those that have been put into operation have achieved remarkable economic results. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 21 Feb 86] /12640

FOREIGN TRADE SYMPOSIUM--Shanghai, 13 Feb (XINHUA)--A Shanghai foreign trade symposium will open 1 March, an official of the city's foreign trade company said here today. The symposium, an annual event since 1983, is sponsored by the Shanghai Foreign Trade Company, which has invited businessmen from around the world. The official said that 30-odd Shanghai manufacturers of food, local products, textiles, garments, machinery and electronic products have asked to take part. Discussions will be held during the symposium on imports and exports, compensation trade, cooperative production, joint ventures and technical transfers. [Text] [Beijing XINHUA in English 1441 GMT 13 Feb 86] /8309

CARPET EXPORT PLANS--Beijing, 21 Feb (XINHUA)--China plans to export carpets worth 1.5 billion dollars during the 1986-1990 period, today's ECONOMIC DAILY reported. The country now has the capacity of exporting carpets worth more than 200 million U.S. dollars a year, making it the third largest carpet exporter in the world, the paper said. About half of the carpets were sold to the United States last year and the rest to European and Middle Eastern countries, Japan, Hong Kong and Macao. China has more then 300,000 people engaged in producing carpets made of silk, wool and chemical fibers. To coordinate sales to other countries and regions, the government has established the China Carpet Import and Export Association, which began licensing exports 1 February. A week-long carpet export mini-fair will begin here 27 February, the paper said. [Text] [Beijing XINHUA in English 1054 GMT 21 Feb 86] /8309

EXPORT MINIFAIRS--Beijing, 20 Feb (XINHUA)--China has organized 20 export minifairs to be held in 1986, according to the Ministry of Foreign Economic Relations and Trade. Ministry officials said today that in addition to the two regular sessions of the Guangzhou Export Commodities Fair in Spring and Autumn, the special minifairs will be held in Beijing, Changchun, Dalian, Fuzhou, Guangzhou, Nanjing, Shanghai, Qingdao, Shenzhen and Wuhan. Commodities on sale will include textiles, silks, animal by-products and arts and crafts. [Text] [Beijing XINHUA in English 0828 GMT 20 Feb 86] /8309

ASIAN-PACIFIC IMPORT SYMPOSIUM--Guangzhou, 26 Feb (XINHUA)--The second Asian-Pacific Import Administration Symposium will begin 3 March in Guangzhou, capital of Guangdong Province, organizers said today. The 17-day symposium, involving participants from 11 countries including Bangladesh, Burma and Malaysia, will provide advanced training for import administrators, said Saara Kehusmaa-Pekonen, director of Finland's program for development cooperation, one of the symposium's sponsors. Other sponsors of the symposium are the U.N. Economic and Social Commission for Asia and the Pacific, the International Trade Center, and the Chinese Ministry of Foreign Economic Relations and Trade. During the symposium, Kehusmaa-Pekonen said, scholars will lecture on their experiences in trade, and participants will visit the Shenzhen Special Economic Zone, near Hong Kong on the Southeast China coast. The first Asian-Pacific Import Administration Symposium was held last April in Beijing. [Text] [Beijing XINHUA in English 1503 GMT 26 Feb 86] /8309

SHAANXI FOREIGN INVESTMENT INCREASES--Xi'an, 27 Feb (XINHUA)--Shaanxi Province in northwest China absorbed a total of 403 million U.S. dollars last year, said a provincial official here today. In the same year, the provincial authorities approved 50 Sino-foreign joint ventures and cooperative enterprises, bringing the total number to 59. Foreign investment used since 1980 came to 435 million U.S. dollars, the official said. The province imported 427 items of technology in the past few years worth 265 million U.S. dollars to upgrade old factories. About 74 percent of the purchases were made in 1984 and 1985. An international seminar on economic cooperation held here at the [words indistinct] of 1984 helped local officials broaden their horizon. The official disclosed the province plans to speed the pace of use of foreign investment and technological imports in the next five years especially in the energy, transport, raw materials and tourism industries. [Text] [Beijing XINHUA in English 1450 GMT 27 Feb 86] /8309

CSO: 4020/244

SPECIAL ECONOMIC ZONES

ARBITRATION OF ECONOMIC DISPUTES WITH FOREIGNERS DISCUSSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 3, May-Jun 85 pp 53-56

[Article by Wen Guangjun [3306 0342 0971], Faculty of Law, Zhongshan University: "The Problem of Arbitrating Economic Disputes Involving Foreigners in the Special Economic Zones"]

[Excerpt] I. The Necessity of Establishing Special Arbitration Machinery in the Special Economic Zones

Since instituting its open door policy, from 1980 on, China has established four special economic zones [SEZ's], namely at Shenzhen, Zhuhai, and Shantou in Guangdong Province and at Xiamen in Fujian Province. Since their establishment, the SEZ's have attracted a large number of foreign firms wishing to invest in new factories, and have been import points for advanced technologies, equipment and scientific methods of business management. In the case of Shenzhen, 1,546 contracts of various kinds were signed from 1979 to September 1983 between Chinese enterprises and other economic organizations and foreign firms, agreeing to invest a total of HK$12.5 billion. As regards effectivenes of these contracts, about 65 percent have done well, about 25 percent have performed fairly well, but not free from certain disputes, and about 10 percent performed badly, occasioning fairly serious disputes. It shows that there have indeed been many disputes in the course of fulfilling economic contracts with foreigners in this SEZ, as also occurred in the other SEZ's. If these disputes are not promptly resolved, they are bound to obstruct the economic development of the SEZ's.

During the period from the establishment of the SEZ's till the end of 1983, no arbitration organization existed for the settlement of economic disputes with foreigners, and the only way to settle disputes that arose during the fulfillment of the contracts was to have the parties negotiate a solution or submit the dispute to certain organizations for mediation. Many contracts explicitly stipulated that disputes were to be submitted to the arbitration organization of the China Council for the Promotion of International Trade [CCPIT]; but this is located in Beijing, far away and costly in time and money to be reached, so that the parties, especially foreign firms, hope that special arbitration organizations can be set up within the SEZ's to achieve prompt resolution of disputes that may arise between them.

II. What Form of Arbitration Organization Should Be Established in the SEZ?

Two proposals have been made in answer to this question: One is based on the idea that the Foreign Economic and Trade Arbitration Commission [FETAC] of the CCPIT has accumulated abundant experiences in arbitration and could establish its branch organizations in the SEZ's (as a first step, set up offices). In April 1983, it did indeed establish an office in Shenzhen (on a trial basis), especially charged with handling economic disputes with foreigners. Or, a foreign trade arbitration committee could be set up by itself under the CCPIT on an equal basis with the Arbitration Committee for Maritime Affairs, perhaps to be called "Arbitration Commission for Economic Disputes with Foreigners in the SEZ's." This organization could then set up branches in all SEZ's. The advantage of this type of an arrangement is that it would clearly define a division of labor between the three permanent arbitration committees of the CCPIT, each attending to its own functions and concentrating on its own affairs.

Another proposal is based on the idea that the SEZ's require the establishment of an independent permanent arbitration organization (not under the CCPIT), and that regulations be drawn up governing the arbitration procedure, which must be particularly suited to the conditions of the SEZ's, for the more effective and prompt resolution of economic conflicts with foreigners in the SEZ's.

In my opinion, the establishment of an arbitration organization for the SEZ's must comprehensively take into consideration all the peculiarities of economic contracts with foreigners as well as the needs of the future development of the SEZ's. The term "SEZ economic contract with a foreign party" refers to an agreement for the establishment of mutual rights and obligations, according to Chinese law, between a Chinese enterprise or other economic organization in an SEZ on the one hand and a foreign enterprise or other economic organization or individual on the other hand for the development of economic or technological cooperation in an SEZ. These contracts comprise economic agreements to be fulfilled within an SEZ and concluded by foreign-financed enterprises engaged in business and registered in the SEZ, by joint ventures using Chinese and foreign investment, by Chinese-foreign cooperative enterprises (altogether called, for short, "SEZ enterprises"), or between an SEZ enterprise and a foreign enterprise, other economic organization or individual, or between an SEZ enterprise and a Chinese enterprise or other economic organization in the SEZ (see Article 2 of the "Shenzhen Regulations Governing Economic Contracts with Foreigners"). The investments by foreign firms in the SEZ can take the form of enterprises with joint Chinese-foreign investment or with cooperative management, wholly foreign-owned enterprises, compensation trade as well as enterprises for the assembly or processing of imported parts or materials. The economic character of these enterprises is mostly one of state capitalism. The SEZ economic contract with a foreign party is, therefore, as to its legal relations, one that involves foreign elements; as to the character of the contract one of an investment character; and as to its content one of a broad economic spectrum. These are the main special traits of SEZ economic contracts involving foreigners.

China's foreign trade contracts in general refer mainly to agreements signed by Chinese corporations, enterprises or other economic organizations with foreign corporations, enterprises or other economic organizations, mainly for the purpose of buying or selling merchandise, machinery, etc., or for other trade purposes. They have one thing in common with SEZ economic contracts with foreigners, namely that they both have foreign elements. However, these contracts are quite different from one another with respect to character, contents, categories and functions. The two types of contract are also somewhat different with respect to the specific types of foreign firms that are parties to these contracts. In the SEZ's, apart from one group of foreign merchants, most are compatriots from Hong Kong and Macao and overseas Chinese (including their companies and enterprises). The enterprises in the SEZ, jointly or wholly financed by foreign investment and registered in the SEZ, are juristic persons under Chinese law and are under the jurisdiction of Chinese law. However, the foreign parties to the other foreign economic trade contracts are generally foreign juristic persons, as a result of which any contractual conflict would involve juristic persons of two or more countries, each under the jurisdiction of the laws of a different country.

SEZ economic contracts with foreigners retain the above-stated particular traits, but at the same time, as the number of foreign firms increase the intent to invest, set up factories in the SEZ, and import advanced technologies and equipment into the SEZ, there will be a corresponding increase in the disputes from these contracts. It is therefore even more imperative that we establish in the SEZ's their own special arbitration organizations and draw up regulations governing arbitration procedures. The same situation exists in the other coastal ports that will be additionally opened up. In the opposite case, if economic disputes with foreigners occurring in the SEZ's and in the additional coastal port cities are all to be handled by the permanent arbitration organization of the CCPIT, that arbitration organization will be burdened with an excessively heavy load of cases. The work of an SEZ's own permanent arbitration organization could nevertheless be placed under the guidance of the FETAC of the CCPIT.

Should the permanent arbitration organization of the SEZ's be of an official or of a civilian character? According to the current international practice, all disputes of a commercial character are generally arbitrated by civilian arbitration organizations. The permanent arbitration organization of the CCPIT is of a civilian nature. The permanent arbitration organizations of the SEZ's should therefore also be civilian. Would it be preferable to have the SEZ arbitration organization attached to a certain social organization, or not attached to any social organization? In the international field, civilian arbitration organizations are generally attached to chambers of commerce or to foreign trade associations, such as the Court of Arbitration at the International Chamber of Commerce, the Arbitration Institute in Stockholm, Sweden, the arbitration court of the London Chamber of Commerce, the arbitration commission of the Romanian Chamber of Commerce, the arbitration court of the Polish foreign trade association, etc. However, there are also countries where it is an independent organization, not attached to any social organization, such as the International Commercial Arbitration Association in Japan and the Commercial Arbitration Association in the United States. According to the conditions of China's SEZ's, this writer believes it would be most appropriate to have the Chinese SEZ arbitration organizations attached to the federations of industry and commerce in the SEZ's.

Can the SEZ's immediately set up their permanent arbitration organizations? The SEZ's are in their initial stage and lack legal knowledge; they particularly lack experienced arbitrators. On the other hand, establishing a new arbitration organization and drawing up regulations governing arbitration procedures must undergo a certain legislative process, which again requires a certain period of time. In the absence of these objective preconditions, any hasty establishment of this type of organization may spell ruin for the whole enterprise and harm the prestige of the arbitration organization. The only measures that can be adopted now are to place the FETAC of the CCPIT concurrently in charge of this work and have them open their business organizations in the SEZ's, thus in charge of resolving economic disputes with foreigners at the SEZ's. In this way the urgent needs of the SEZ's would be satisfied, while SEZ arbitration personnel would be trained, preparing conditions for the future establishment of the SEZ arbitration organization.

III. Two Questions To Be Solved by Formulating Regulations Governing SEZ Arbitration Procedures

1. Selecting and Appointing Arbitrators

Hearing cases of disputes must be the task of an ad hoc arbitration tribunal constituted by the arbitration organization. According to current international procedure, the arbitration tribunal may be composed of 3, 5, or 7 arbitrators (one of them to be presiding arbitrator), who hear the cases as a collegiate group, but cases could also be heard and arbitrated by one single arbitrator.

At to the methods of selecting or designating arbitrators, there are internationally three methods, the arbitration committee system, the arbitrator register system, and the arbitrator appointment system. China uses the arbitrator committee system. FETAC has 15 to 21 members, who are selected and appointed from among persons having abundant knowledge and experience in foreign trade, commerce, industry, agriculture, transportation, insurance, and legal or other relevant professions. The members are appointed for 1 year, and the committee selects one chairman and two deputy chairmen.

In preparation for the arbitration hearing, each party selects one arbitrator from among the members of the arbitration committee, and the arbitrators select one person from among the members of the arbitration committee as presiding arbitrator, thus constituting the arbitration tribunal to hear their case. The parties may also jointly select a sole arbitrator to arbitrate singly (see Articles 9 through 12 of the Provisional Regulations Governing Arbitration Procedure of the FETAC of the CCPIT). The arbitration committee system is also used by the arbitration committee of the Romanian Chamber of Commerce.

Some countries use the arbitrator register system, such as Japan in its International Commercial Arbitration Association. This association has compiled a register of about 250 arbitrators, who are persons of different nationalities and different trades and professions. The parties to the dispute select their arbitrators from this register by a method prescribed by the arbitration regulations. The arbitrator register system is also employed by the arbitration association of the United States.

Some countries use the arbitrator appointment system. For instance, the commercial arbitration law of Italy prescribes that the parties may select and appoint any Italian citizen to serve as arbitrator. The commercial arbitration law of the FRG places no limitations on the nationality of the arbitrators.

The arbitrator selection system employed by the FETAC of the CCPIT has in practice proven to be a very good method, because these arbitrators are all persons selected from various trades and professions with specialized knowledge, legal knowledge and experience. They have a strong sense of responsibility and will uphold the principle of fairness in resolving disputes. Whether the arbitrator selection method of the CCPIT is suitable for the SEZ's is a matter that could still be discussed.

Most of the foreign businessmen coming to the SEZ's are compatriots from Hong Kong and Macao and overseas Chinese, many of whom have specialized knowledge, are patriotic and attached to their native places. If some of them were invited to serve as arbitrators, broadening the scope of persons they could select as arbitrators, it could increase the influence and attractiveness of the arbitration organization for them, and be helpful in resolving disputes with them. Specific methods could include appropriately inviting well-known persons and specialists from Hong Kong or Macao or overseas Chinese who have invested in the SEZ's and started business to serve as arbitrators (their number to make up one-third of all arbitrators). However, the presiding arbitrator of the arbitration tribunal or the person acting as single arbitrator must be an arbitrator from China proper. This method would provide the foreign merchants with greater flexibility in the choice of arbitrators and would also be a sign of greater fairness in the Chinese arbitration organization.

2. Should the Hearing of Arbitration Cases Be Public?

As to the form of hearing arbitration cases, most countries now follow the principle of holding these hearing not in open sessions, but designate the categories of people who may be present at the hearings, i.e., in addition to the parties or their representatives, their attorneys, witnesses and other persons having a direct interest in the dispute. The arbitration regulations of some countries explicitly state the principle that "hearings are not public." China and certain other countries follow the principle of "hearings to be held in open session." Article 21 of the Provisional Regulations Governing the Arbitration Procedure of the FETAC prescribes: "The arbitration tribunal must conduct its hearings in public; at the request of both or of one party, the arbitration tribunal may decide to hold the hearing in closed sessions."

Generally speaking, there are more advantages in hearing arbitration cases in open rather than in closed session, because in public hearings it is possible to exercise a modicum of control over whether the arbitration tribunal strictly observes the regulations for arbitration procedure; it may also be possible to influence the tribunal to greater fairness in its arbitration award. However, it does not mean that this method is suitable for all disputes. It is important to decide this question according to the nature of the dispute, its subject, and the will of the parties. SEZ economic contracts with foreigners are of an investment nature, and there is competition between the investors. None of them wants to reveal the internal details of the enterprises in which they have invested. This is particularly so because most of the foreigners involved are compatriots from Hong Kong and Macao and overseas Chinese who have enterprises or property in Hong Kong, Macao or foreign countries. If they lose their case in the arbitration, they may be concerned about the impact on their reputation. Generally, they would therefore prefer not to have an open hearing of their dispute. Another important matter for us to consider is that the subject of economic disputes with foreigners frequently involves Chinese economic and technical data or information which must not be made public. From the viewpoint of the arbitration tribunal, hearings held in closed session would offer the opportunity to effect a mediation between the two parties during the arbitration procedure, which would contribute to maintaining friendly cooperation between the two parties. It would therefore be preferable to have arbitration hearings of SEZ commercial disputes with foreigners in closed session.

IV. The Effect and Enforcement of SEZ Arbitration Awards

Is the award of the arbitration tribunal final? If a party refuses to accept the decision, can that party file an appeal for revision with a law court or any other agency? The arbitration regulations of most countries now explicitly prescribe that the arbitration award is final and that no appeal is possible. Article 29 of the Mediation and Arbitration Rules of the International Chamber of Commerce prescribes: "Arbitration awards must be final. Parties who have submitted their dispute to arbitration by the International Chamber of Commerce must promptly fulfill its decisions and waive the right of an appeal in any form whatsoever." Article 31 of the CCPIT's Provisional Regulations Governing Arbitration Procedure of the FETAC explicitly prescribes: "The award of the arbitration committee is a final decision; both parties may not bring an appeal for revision before a court of law or any other agency." There are, however, other countries, such as France, whose law of civil procedure prescribes that any one of the parties to an arbitration may file an appeal against the arbitration award or request a renewed hearing.

The arbitration award is final, the decision is binding on both parties, and both parties must implement it. However, if one party does not carry out the decision, to which authority is the arbitration award to be submitted for enforcement? The regulation of this question is not always the same in different countries. Some countries (such as France) prescribe that on the request of one party, the law court must issue an order of enforcement. Some countries (such as India) prescribe that awards must be sent to the law court, which will proclaim its enforcement in the form of an order. Article 32 of the Provisional Regulations Governing Arbitration Procedure of the FETAC of the CCPIT prescribes: "The award of the arbitration committee must be executed by the parties themselves within the time set in the award. If fulfillment is not effected within the time limit, any one of the parties may petition the Chinese people's court for enforcement." There is also the following provision in Article 195 of the Civil Procedure Law (draft): "If one party fails to carry out the award of a Chinese organization for the arbitration of cases involving foreigners, the other party may petition, according to the provisions of this law, the intermediate people's court located at the place of the arbitration organization or at the place where the property is located, for the enforcement of the award."

The award by an SEZ arbitration organization frequently involves merchants who reside abroad or in Hong Kong or Macao and their property at those places. This raises the question whether the Chinese arbitration award will be recognized and enforced in a foreign country or in Hong Kong or Macao. To solve this problem of mutual recognition and enforcement of arbitration awards, many countries have signed bilateral or multilateral treaties and agreements on the international plane, and also provide in their domestic legislation for the recognition and enforcement of foreign arbitration awards. In 1958 a Convention on the Recognition and Enforcement of Foreign Arbitration Awards was signed in New York under the auspices of the relevant agency of the United Nations (up to 1980, over 50 countries and territories hadjoined the convention, but not China so far). The said convention prescribes: "All signatory nations shall mutually recognize the binding force of arbitration awards and shall enforce them according to the procedure in force at the place of recognition and enforcement." However, the convention also lists certain conditions under which recognition and enforcement may be refused, which shows that all nations had certain reservations about the recognition and enforcement of foreign arbitration awards.

To resolve the problem of recognition and enforcement of SEZ arbitration awards in other countries or in Hong Kong and Macao, and in view of the fact that China has not yet joined the United Nations Convention on the Recognition and Enforcement of Foreign Arbitration Awards, China should as soon as possible, through diplomatic or other ways, negotiate and sign bilateral or multilateral agreements with the authorities of relevant countries and territories and bring about a solution of the problem.

V. Methods of Charging SEZ Arbitration Expenses and the Question of Standards for Arbitration Fees

Arbitration expenses generally include: arbitration fees, i.e. the basic arbitration fees (this refers to expenses collected to refund the arbitration tribunal the general expenses incurred when hearing the case), special arbitration expenses (this refers to special expenses incurred by the arbitration tribunal when hearing the case, such as appraisal fees, translation fees and similar fees), and expenses incurred by the parties (such as fees for legal representatives and assistants, travelling expenses for witnesses, travelling expenses of the parties to attend the arbitration proceedings, etc.). On the method of charging arbitration expenses, some international organizations have made clear and definite provisions. The arbitration regulations of the UN Commission on International Trade Law prescribe: "Arbitration expenses must in general be borne by the loosing party. However, the arbitration tribunal may determine, having regard to the circumstances of the case, that it would be more rational to divide the expenses between the two parties." "As to expenses for legal representatives and assistants, the tribunal may, after considering the particular circumstances of the case, freely decide which party should bear these expenses. If it appears more rational, the tribunal may decide that the expenses should be divided between the parties." However, the commercial arbitration rules of many countries have no provisions in this respect and leave it to the arbitration tribunal to decide the question in its arbitration award according to the specific circumstances of the case. The arbitration organization of the CCPIT only collects an arbitration fee (the arbitration organizations of some countries also collect case registration fees, case cancellation fees, etc.), and prescribes that this fee may be fully charged to the losing party or proportionately distributed between the parties, as to be determined by the arbitration tribunal in its decision according to the circumstances of the case. The arbitration tribunal may also decide that the losing party should compensate the winning party for all expenses incurred in connection with the proceedings, but such compensation shall not exceed 5 percent of the amount awarded to the winning party. This CCPIT rule is very reasonable, as it gives consideration on the one hand to the responsibility to be borne by the party defeated in the arbitration, but on the other hand also to the specific circumstances and the parties involved. The SEZ's should also adopt this method of charging arbitration expenses.

As to standards for arbitration fees, rules are not very uniform in the various countries. The arbitration fee scales of the U.S. Arbitration Association and the Japanese International Commercial Arbitration Association prescribe different proportionate fees depending on the amounts in dispute, the higher the progressive increase in the amount in dispute, the progressively lower the arbitration fee. The U. S. scale, in particular is: (1) In cases with monetary value, each party has to pay a basic fee; for a value of $10,000 or less, the fee is 1.5 percent, minimum $25. For any additional value between $10,000 to $25,000, an additional 1 percent, for any additional value between $25,000 to $100,000, an additional 0.5 percent, for additional value of $100,000 to $200,000, an additional 0.25 percent, and any amount over $200,000 an additional 0.1 percent. (2) For cases without monetary values the fee is $100. The FETAC of the CCPIT has prescribed only a rule of principle, namely that the maximal arbitration fee must not exceed 1 percent of the value in dispute.

We have to consider that the investments by foreign merchants in the SEZ's are of a great variety and involve large amounts, with some joint ventures and cooperative enterprises as high as HK$100 to 200 million. As these are the conditions that prevail in the SEZ's, the arbitration organizations of the SEZ's must fix specific tariffs as the definite basis for the collection of arbitration fees from the parties, and for the advance information of the parties on the scale of fees.

On what principle should the SEZ scale of arbitration fees be fixed? The scale should be fixed on the principle that the fees should not exceed 1 percent of the value in dispute, as prescribed by the FETAC of the CCPIT. The scale should also take note of the progressive reductions as values increase, in force at the arbitration organizations of the United State, Japan and other countries, while also integrating the special conditions of the SEZ's in determining the specific scale of arbitration fees for the SEZ's.

9808
CSO: 4006/86

SPECIAL ECONOMIC ZONES

GUANGDONG MEETING REVIEWS SPECIAL ECONOMIC ZONE WORK

HK252254 Beijing RENMIN RIBAO in Chinese 21 Feb 86 p 5

[Article by Mu Ye [2606 0673]: "Roundup of Guangdong's Second Symposium on Special Economic Zones"]

[Text] The second Guangdong provincial symposium on the special economic zones was held in Zhuhai City in mid-December 1985. Representatives at the meeting pointed out that in the past few years, the achievements in construction of the three special economic zones of the province were remarkable. They can be summarized in the following four aspects: 1) A relatively attractive investment climate has been created; 2) Vigorous progress has been made in industrial and agricultural production and the tertiary industry and their output value was risen by a large margin for several years, 3) There has been rapid growth in revenues and a large amount of foreign exchange has been earned for the state; and 4) There has been a steep rise in the people's living standards.

The role of the special economic zones can be also be generalized in the following four aspects: 1) The absorptive role of the four "windows" and the radiating role of the two "sides of a fan" have been tentaviley put into play by introducing foreign investment funds and technology from abroad and stimulating the four modernizations in the special economic zones and other parts of the country; 2) Initial experiences in implementing the opening up policy have been gained for the coastal open areas; 3) Successful experiences have been accumulated for the various aspects or reform in the economic structure of the interior, including reform of the planning system, the capital construction management system, the circulation system, the monetary system, the price syste, the labor and wage system and the personnel system; and 4) A number of people in economic construction have been tempered and trained, especially those who engage in economic and enterprise management for the development of the commodity economy. In addition, a large number of skilled workers have also grown up in the course of economic construction.

Of course, there are still some problems in the economic construction of the special economic zones, such as overextended capital construction and the lavish scale of nonproductive capital construction.

During the meeting, representatives specially examined from the theoretical points of view some questions concerning construction of the special economic zones.

On the question of whether the orientation of the economies of the special economic zones has deviated from the correct path, there was a divergence of views at the meeting. Some representatives said: The present economic pattern of the special economic zones is import-oriented and these zones have failed to "give first place to three aspects" (giving first place to the introduction of foreign capital from abroad as the main source of investment funds, giving first place to industrial development in the structure of production, and giving first place to the export of manufactured goods). Therefore, there is still a question of orienting the economy from imports to exports. Some representatives even said that the key to whether the special economic zones will be able to develop in a sound way lies in reorienting their economy. However, quite a few representatives said it is inaccurate to say "reorienting" the economy because at the very beginning of building the special economic zones, the Party Central Committee and the State Council clearly defined the economy as being export-oriented. Generally speaking, the three special economic zones of our province are being built in this direction. At present, the thing is how the guiding ideology for building and export-oriented economy can be made clearer and how the guiding ideology can be carried out in practical work.

On the principle of "giving first place to industry" in the whole structure of production of the special economic zones, representatives to the meeting had differences of opinion. Some representatives said that "industry must be regarded as a foundation only," while due attention must also be paid to the development of commerce and tourism and special attention must be given to the building of export-oriented commercial and trading institutions and to the development of export-oriented circulation channels. Meanwhile, effective control must be exercised over the development of import-oriented commercial, trading, and touring activities that are too large. Other representatives pointed out that the proper pattern for the development of the special economic zones should be focused on "foreign trade as a guideline." Efforts must be made to promote foreign trade and to reform the foreign trade system. Then, the development of foreign trade will bring along the development of other industries. Some representatives also said that we should not impose uniformity of patterns for the development of the structure of production in the special economic zones. According to the features and conditions of each special economic zone, we should develop what is strong and discard what is weak. While paying attention to the development of industry, we should readjust the structure of production at all times to meet world market demands, and we should also develop new industries and new products so as to go along with world trends.

On the question of developing the special economic zones by stages, representatives at the meeting held the consensus view that it was absolutely necessary to do so. It helps us to correctly assess the achievements and advantages and disadvantages in the economic construction of the special economic zones, but it also provides us with a correct guiding ideology in formulating the strategies for the development of these zones. Representatives also presented their views on how to define stages for the development of the special economic zones. Further discussions will be made on this issue.

At the meeting, there were different views on the question concerning the theoretical basis for carrying out reform of the economic structure in the special economic zones. Some representatives said: Like other parts of the country, the special economic zones are also developing a planned commodity economy. We must, therefore, establish an economic management system on this basis in the special economic zones. Comrades holding this point of view believed that we should strengthen control of macroeconomic activities in the special economic zones, while enlivening microeconomic activities. Then, how can we do a good job of macroeconomic control? First, the state should build its mechanisms for strengthening control of macroeconomic activities in the special economic zones, and second, the special economic zones themselves should also build their mechanisms for strengthening macroeconomic control. Some representatives did not agree with this point of view. They pointed out that the economies of the special economic zones are market economies under the guidance of state macroeconomic control and the state macroeconomic control over the special economic zones should be indirect in the main. The special economic zones should establish a market economy management which is different from that in the interior and which must attach importance to the regulatory role of the law of value. In discussions, some representaties suggested that the economies of the special economic zones be closely connected with the world market and attention be paid to the regulatory role of the world market.

Furthermore, representatives at the beginning of the meeting also put forward a number of proposals for the development of the special economic zones.

/12640
CSO: 4006/48

SPECIAL ECONOMIC ZONES

GU MU PRAISES ECONOMIC ZONES' PROGRESS

OW151515 Beijing XINHUA in English 1442 GMT 15 Feb 86

[Text] Beijing, 15 Feb (XINHUA)--The Shenzhen Special Economic Zone in Guangdong Province, bordering Hong Kong, reported an industrial output value of 2.579 billion yuan (about 800 million U.S. dollars) in 1985, an increase of 53.5 percent over 1984, or up by 40 times the 1979 figure before the zonal construction started. State Councillor Gu Mu said at a working meeting held earlier this year that China's four special economic zones have reached the stage of building an export-oriented economy from the infrastructural construction stage after six years of hard work. In the case of Shenzhen, after six years' construction the zone now boasts more than 750 industrial enterprises, covering electronics, textile and light industries, building materials, petrochemicals, and machine-building and food industries. High-rise buildings have sprung up there, and industrial estates and commercial centers are dotted all over the zone.

Shenzhen is one of the four special economic zones China has started since 1980. The others are Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province. They also have reported rapid growth in their industries and economies as a whole. For instance, the industrial output value in Zhuhai amounted to more than 530 million yuan in 1985, over five times the 1979 figure. The special economic zones are an important component of China's policy to attract overseas investment. China's senior leader Deng Xiaoping said that the zones are "windows for technology, management, knowledge and foreign policy, to better serve China's modernization programs."

According to statistics, the four zones have used 1.28 billion U.S. dollars of foreign capital in their development since 1980, accounting for about one fifth of the total foreign investment in China during the period.

The zones have imported a number of items of advanced technology and equipment with foreign capital, such as manufacturing technology for laser TV soft discs from the Netherlands, vacuum glass technology from Austria, technology for producing multi-layer circuit boards and Kodak sensitive materials from the United States, and technology for producing Sony video-recorders from Japan.

A recent survey in Shenzhen shows that more than 85 percent of the Sino-foreign joint ventures and the enterprises with sole foreign investment have an average profit rate of 15 percent.

In addition, the zones have vigorously carried out economic and technical cooperation with enterprises from hinterland areas. Shenzhen alone has signed over 440 cooperation agreements on industrial projects with 25 central departments and 27 provinces, municipalities and autonomous regions, involving about 500 million yuan.

Through such cooperation, the special economic zones have made up for shortage of natural resources, funds, technology and personnel. The hinterland enterprises have taken these zones as windows and got information on the world market, advanced technology and management experience.

Encouraging progress has been made in the zones' economies in the past few years. The four zones mainly processed materials supplied by foreign partners in the past. But now they have started turning out products themselves. And the proportion of export commodities has increased.

A case in point is Shenzhen, which can produce more than 800 varieties of products, with an output value making up about 90 percent of the total in the zone. The volume of direct-export commodities accounted for 43 percent of its total sales in 1985, as against only 33 percent in 1984. About 70 percent of the products of the Shekou Industrial Estate were for export in 1985. The shantou Special Economic Zone sold 70 percent of its products on the world market, and the export rate of its farm produce and aquatic products came to more than 95 percent last year.

According to statistics, the four zones used 7.63 billion yuan in their capital construction during the 1980-85 period, and formulated dozens of economic laws and regulations, thus creating a better environment for investment. However, the energy, transportation and telecommunications facilities are still weak links in these zones.

While further improving the investment environment, the zones are now striving to use more foreign funds, import advanced technology and equipment, and improve management, so as to produce more marketable goods for the world market.

/8309
CSO: 4020/244

JOINT VENTURE TO HELP ZHUHAI EXPAND PORT, OIL SUPPLY

HK070345 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 7 Feb 86 [no page given]

[Text] Zhuhai is gearing up to expand its special economic zone port and oil supply base under a joint venture deal managed by Oil (Asia), which is part of the Straits Steamship group.

Zhuhai's port is being managed by Oil (Asia) under a plan developed by Gladhover of Hong Kong as the operating company in a three-partner joint venture with the Nanhai Oil and Zhuhai Special Economic Zone Development and Services Co and China Nanhai Oil Joint Service Corp.

Both Oil Asia and Gladhover are part of the Keppel group which is controlled by the Singapore Government.

In the Zhuhai project Gladhover holds a 40-percent interest while Nanhai Oil has 40 percent and CNJSC holds 20 percent.

Mr Jim Britton, the joint venture port and base manager, said that although the exact schedule was still "pretty sketchy," he expects the port should be ready to accept vessels from May onwards and be fully geared up by the summer.

He said Oil (Asia)'s Hong Kong office will not derive any revenue from its offshore contract, but that the Singapore-based company will receive management fees and a percentage over and above project fees.

"It's not a multi-million-dollar project but it's a foot in the door," he added.

The two-part port project includes dredging the harbour basin and an 18km approach channel to a depth of eight metres. A 500-metre wharf and 100,000 square-metre oil field supply base and cargo facility will also be constructed.

Zhuhai's new port, to be built on reclaimed land, is planned to handle up to five oil field supply vessels and a 10,000 tonne cargo ship.

Other facilities will include a 70,000 square metre bulk cargo storage area, three general purpose warehouses, bulk storage and mechanised handling for water, fuel, cargo and oil industry materials and equipment.

A 300,000 square metre site behind the port is also being developed, part of which includes a site for 281 luxury flats.

Mr Britton said there were no oil clients for the facilities yet, but he believes two parties are very interested and hope to develop their production later this year using Zhuhai as their base.

However, he declined to name the parties.

Oil Asia's management contract was signed about a year ago and until now has mainly involved the back-up engineering work.

/8309
CSO: 4020/244

SHENZHEN FORMULATES NATIONAL ECONOMIC, SOCIAL PLAN

HK290853 Hong Kong WEN WEI PO in Chinese 26 Jan 86 p 3

[Special Dispatch: "Shenzhen To Focus on Industry, Decides to Develop Outward-Oriented Economy"]

[Text] At its work conference on its national economic and social development plan, Shenzhen City decided on the guiding principle for its economic development, its major tasks, and the focuses of its economic work in 1986.

Elaborating on Shenzhen's 1986 Plan for National Economic and Social Development (Draft), a responsible person of the Shenzhen City Social and Economic Development Committee pointed out: In 1986, the Shenzhen Special Economic Zone's construction and development will enter a new stage.

The major tasks involved in and the guiding principle for Shenzhen's economic construction and development in 1986 are: To adhere to the opening up policy; to reform in an in-depth manner; to focus on the attainment of better economic results; to advance more steadily; to improve management and make a success of rectification by further developing the success so far achieved; to develop an outward-oriented economy based on industry; to make the readjustment of the city's production setup a success; and to make the national economy comprehensively, harmoniously, and steadily develop.

The major targets to be fulfilled in 1986 are: A GNP of 3.3 billion yuan, 10 percent higher than that in 1985; national income of 2.8 billion yuan, 12 percent more than that in 1985; and a gross industrial output value of 3 billion yuan, 163 percent higher than in 1985.

He added: In 1986, Shenzhen will focus on the following work in developing its economy: It will, by focusing on industry, develop an outward-oriented economy and, mainly with the help of advanced technology and facilities, develop such traditional industries as light industry, textiles building materials, food and beverage, and precision machinery. It will also selectively and enthusiastically develop new industries; appropriately develop those labor-intensive industries which can yield much foreign exchange; speed up construction in the areas of energy supply and communications, in order to support the economic zone's economic development; focus attention on the construction of Plant B of the Shajiao Power Station; control the scope of capital construction; ensure the smooth progress of the key projects; and improve investment results. In principle, Shenzhen will not introduce new projects this year. Nor will it develop new areas. It will try to increase revenue, to bring about a balance between income and expenditure, to earn more foreign exchange, and to strengthen foreign exchange management.

/12640
CSO: 4006/748

SPECIAL ECONOMIC ZONES

SHENZHEN SIGNED OVER 1,200 FOREIGN CONTRACTS IN 1985

HK230657 Beijing ZHONGGUO XINWEN SHE in Chinese 1356 GMT 20 Feb 86

[Text] Guangzhou, 20 Feb (ZHONGGUO XINWEN SHE)--At a meeting held here today, Liang Xiang, secretary of the Shenzhen City CPC Committee, said: Last year Shenzhen signed more than 1,200 agreements and contracts with foreign businessmen, imported foreign capital totaling $840 million in accordance with these agreements. Some $260 million of the imported foreign capital has been put into use. The number of contracts signed, the sum of foreign capital imported, and the amount of capital put into use, which were all record highs in recent years, increased by 24 percent, 34 percent and 23 percent respectively over last year.

Liang Xiang added that the characteristic of Shenzhen's importing foreign capital last year was that the percentage of industrial projects and projects of higher technical level increased. In addition, more than 60 percent of products produced will be exported to foreign markets.

Liang Xiang continued to say that last year the inner industrial structure of Shenzhen City also changed, and the percentage of processing projects on order dropped. The percentage of products manufactured by the city has increased. At present, there are more than 800 kinds of products which are manufactured by the city. Electronics, engineering industry, textile industry, light industry, medical industry, petrochemical industry, building material industry, food processing industry, and so on have achieved faster development. Last year, the total industrial output value of Shenzhen was 2.67 billion yuan, an increase of 60 percent over 1984. The export of industrial products manufactured by Shenzhen totalled $300 million, which accounted for 41 percent of the total sale volume of industrial products. The leading position of industry in the industrial set-up of the Shenzhen special economic zone has been markedly strengthened.

/12640
CSO: 4006/48

SPECIAL ECONOMIC ZONES

ECONOMIST STRESSES SHENZHEN'S GEOGRAPHICAL LOCATION

HK230243 Beijing ZHONGGUO XINWEN SHE in Chinese 0353 GMT 22 Feb 86

[Text] Beijing, 22 Feb (ZHONGGUO XINWEN SHE)--A Beijing expert in researching the economy of special zones has suggested that after China recovers sovereignty over Hong Kong in 1997, the economies of Hong Kong and Shenzhen are bound to enter a new stage of development. There will be division of work and also cooperation between them; they will make up for each other's deficiencies, stimulate each other, and become prosperous together.

Today's "JINGJI RIBAO" carries on page 3 an article by Yu Guoyao [0151 0948 5069] entitled "A Fresh Value of the Position of Shenzhen Following the Opening Up of 14 Coastal Cities." The article says that an important issue in taking a fresh view, is that of correctly understanding and taking advantage of the position and role of Shenzhen in its proximity to Hong Kong.

The article says: The development of Shenzhen's foreign trade occupies a special position on account of its proximity to the international trading center of Hong Kong. Its superior geographcial location and the favorable special zone conditions indeed provide vast possibilities for Shenzhen to develop its foreign trade. Shenzhen may be able to have the aid of Hong Kong in developing into an international business and trading center. By vigorously developing external economic relations and trade, actively taking part in international diversion of work, opening up international markets, and bringing into full play the external radiating role of the special zone, the conditions will exist for having foreign trade act as an "accelerator" for the development of the entire economy of Shenzhen. The key to whether Shenzhen can ultimately become a "trading house" port city lies in the breadth and depth of the development of its external economic relations and trade.

The article acknowledges that there has been some loss of control in the rate of development of Shenzhen's commerce and trade in the past 2 years, and that a considerable proportion of its business and trade has developed under the attraction of a two-tier price sturcture, one for Hong Kong-Shenzhen and another for the Shenzhen interior. Reliance on re-exporting to the interior foreign goods imported at high prices in foreign currency became at one time Shenzhen's principal commercial activity, particularly in the second half of 1984. In 1985, the state strengthened its macroeconomic controls, put credit under control, and intensified foreign exchange controls, with the result that this situation has been basically transformed.

The article proposes: In developing outward-oriented industry, Shenzhen should be skillful at exploiting the favorable conditions afforded by its geographical proximty to Hong Kong. It should seize the chance of the technological revolution now arising in the world and strive to gain a certain degree of superiority in importing advanced science and technology. In some fields it should make direct use of the fruits of the new technological revolution, and at the same time it should gain the aid of Hong Kong which has long developed overseas markets for its products.

/12640
CSO: 4006/48 - END -

JPRS-CEA-86-030

21 March 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-030

21 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

ECONOMIC PLANNING

Domestic Market Trends for 1986
(RENMIN RIBAO OVERSEAS EDITION, 8 Jan 86) 1

ECONOMIC MANAGEMENT

Shandong's Economic Development Discussed
(DAZHONG RIBAO, 3 Nov 85) 3

Tianjin's Rural Industry Supports Urban Industry
(Zhang Xiaojian; ZHONGGUO XIANGZHEN QIYE BAO, 1 Jan 86) .. 5

Jiangsu Rural Enterprises Stress Product Quality
(Sun Shuyang; ZHONGGUO XIANGZHEN QIYE BAO, 1 Jan 86) 7

JINGJI GUANLI on Economic Levers, Legislation
(Yang Chuntang; JINGJI GUANLI, No 11, 5 Nov 85) 9

PRC Journal on Economic Levers, Investment Control
(Liao Renxing; JINGJI GUANLI, No 11, 5 Nov 85) 17

Journal on Accelerating Development of Tertiary Industry
(Huo Guoyin; JINGJI GUANLI, No 11, 5 Nov 85) 26

Democracy, Manager Responsibility System
(Huang Yongjing; JINGJI GUANLI, No 11, 5 Nov 85) 34

Comprehensive Use of Economic Levers Explored
(Lu Ying, Hu Jingshan; JISHU JINGJI YU GUANLI YANJIU,
No 5, 1985) 42

Obstacles Hindering Shanghai's Economic Development
(Shu Hanzheng; SHIJIE JINGJI DAOBAO, 21 Oct 85) 50

SPECIAL ECONOMIC ZONES

Shenzhen Price Reform Strategy Discussed
(Huang Zanqiang; NANFANG JINGJI, No 3, Jun 85) 54

LABOR AND WAGES

Ways to Further Advance Trade Union Work Discussed
(Hao Jianxiu; GONGREN RIBAO, 22 Nov 85) 63

POPULATION

Urumqi Claims Success in Population Planning
(XINHUA, 3 Feb 86) 70

Beijing Couples Have Healthier, Fewer Babies
(XINHUA, 26 Feb 86) 71

Briefs
Achievements in Family Planning Work 73
Beijing Population Structure 73

TRANSPORTATION

Role of Shipping in Urban Construction Noted
(Pang Zhen; JINGJI DILI, No 4, Nov 85) 74

HONG KONG

Hong Kong 1986 Budget Growth
(John Mulcahy; SOUTH CHINA MORNING POST, 27 Feb 86) 78

No 1986 Tax Increase Reported
(TA KUNG PAO, 3 Sep 85) 83

Joint Liaison Group To Examine Hong Kong's GATT Role
(Michael Chugani; SOUTH CHINA MORNING POST, 27 Feb 86) ... 85

Analysts Predict Good Prospects for Exports
(Mike Marray; HONG KONG STANDARD, 26 Feb 86) 86

Increase in Transit Trade Discussed
(Editorial; JINGJI DAOBAO, No 36, 9 Sep 85) 88

Agreement on CITIC Takeover of Ka Wah Bank Said Approved
(SOUTH CHINA MORNING POST, 25 Feb 86) 91

ECONOMIC PLANNING

DOMESTIC MARKET TRENDS FOR 1986

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Jan 86 p 3

[Text] This year we begin our seventh 5-year national economic plan. The entire Seventh 5-Year Plan will be a crucial stage in the development of our economy, a time when the Chinese people, instead of having just enough to eat and wear, will begin to enjoy a comfortable standard of living. As agricultural and industrial production further develop and living standards keep rising, the market at home will continue to be the picture of prosperity, vitality and stability that it has been.

According to quantitative analysis forecasting, social commodity retail sales nationwide will grow at least 16 percent in 1986 compared to 1985 (estimated to be 24 percent). The growth rate of consumer goods purchasing by social groups will decline and may even drop below that of consumer goods purchasing by private citizens. The retail sales of means of agricultural production will slow down. As far as urban and rural consumption levels are concerned, consumer goods retail sales in the countryside will continue to outpace retail sales in urban areas. The slackening pace of social commodity retail sales can be attributed to the macroeconomic control that the state has continued to impose on infrastructural projects, credit, foreign exchange and consumption funds, and to the moderating growth of industrial production. Nevertheless, because of other growth factors, the potential of the domestic market remains strong in 1986 and the market will expand in a healthy, stable way.

Judging by the movements of consumer goods purchasing power, retail sales of articles of daily use will grow faster than those of clothing, which, in turn, will exceed those of food. Consumption of food, clothing, daily consumer goods and fuels will increase 12.7, 23.8, 24.1 and 16.8 percent respectively over 1985. Their respective shares of overall consumption are: food, 51 percent; articles of daily use, 25.5 percent; clothing, 20.6 percent and fuels, 2.9 percent.

Looking at the consumption trends for food, clothing and articles of daily use, one sees a greater emphasis on the nutritional value, ease of preparation and quality of food, plus a tendency toward a more varied diet. Of the overall composition of food, staples will account for a declining share while non-staples will become more and more important, and expectations are that the consumption of such low-fat, high-protein, multi-vitamin items as beef, mutton, poultry and eggs will increase substantially. As far as clothing is concerned, the trend is toward accessories, coordinates, fashionable styles, unique designs, and elegant colors. Woolen fabrics and silk will remain popular, the demand for pure cotton fabrics will bounce back and woolen knitwear will sell well. Among articles of daily use, it is the attractive, upscale, and electric items which will be the pacesetters. Bicycles, watches, sewing machines, and radios have reached a saturation point. The trend in these lines of products is toward trading up. When people purchase daily consumer goods, they will more and more think of goods which can help reduce household chores and enrich material life. High-quality durable consumer goods such as television sets, refrigerators, washing machines, radio cassette recorders, and cameras will continue to enjoy robust sales as demand soars.

According to projections based on relevant data, social commodity purchasing power will grow at least 15 percent over 1985. Together with excess purchasing power accumulated over the years, the increase will put the market under intense pressure. The following circumstances will appear in the market this year and should be duly noted by the departments concerned.

The gap between purchasing power and commodity availability is still poised to widen. According to forecasts by provinces like Liaoning, Jiangsu, and Henan, the discrepancy between the growth of commodity supply sources and the increase of social commodity purchasing power will be even greater than that in 1985. Therefore, we must give top priority to successfully organizing the production of popular light industrial and textile goods, securing the supply sources of market commodities, ensuring normal consumption by the people, and speeding up the withdrawal of currency from circulation. Owing to the shortages and rising prices of raw materials and other factors, the producers and retail outlets of small commodities have suffered a sharp decline in profits. In the absence of government support, the market for small commodities will wither.

A massive effort must be made to arrest the upward trend of consumer goods prices. Numerous industries today are pressing for price increases mainly because raw materials and labor are more expensive while profits have fallen. In the countryside, peasants in some localities have gone into industry and business and reduced the number of acres devoted to vegetable cultivation. The prices of non-staple food and certain consumer goods have also shown upward signs. The authorities concerned should adopt a variety of economic mechanisms and administrative interventions to stabilize such prices.

As the proportions of the various economic forms continue to change, we must take pains to help state-owned commerce and stores run by supply and marketing cooperatives operate as the main artery of commerce. In recent years, the retail sales of state-owned businesses and stores operated by the cooperatives have been dropping steadily as a share of overall retail sales, accounting for 63 percent in 1985, down from 68 percent in 1984. Meanwhile individual-run businesses have come to account for a growing share. Projections are that the shift in the shares of the different economic types will continue in 1986. Accordingly, full attention must be paid to the question of how state-run commerce and the supply and marketing cooperative economy can function as the centerpiece of the socialist commodity economy to stabilize the market and curb price increases.

12581
CSO: 4006/683

SHANDONG'S ECONOMIC DEVELOPMENT DISCUSSED

Jinan DAZHONG RIBAO in Chinese 3 Nov 85 p 1

[Article: "Shandong's Proportionate Economic Development in 1984"]

[Text] Editor's note: To enable the broad masses of readers to deepen their understanding of the guidelines of the party national conference and fully understand Shandong's fine political and economic situation, starting from today this paper will continue to publish pertinent materials for everyone to read for reference so as to better organize the people throughout the province to cherish and develop the fine situation and make new achievements with greater efforts. [End of editor's note]

Overall Bumper Harvest in Agriculture: The output of grain, cotton and peanuts set the highest record ever. The gross agricultural output value which registered an increase of 15.4 percent in the year before last amounted to 31.6 billion yuan last year, showing an increase of 21.4 percent over the year before last. The rural structural reform and the reform of the production structure being developed in depth had helped to rationalize the production structure and made it more diversified and better run.

Good Momentum of Steady Growth Emerged in Industry. Shandong's industrial production had advanced fairly fast in the course of the economic structural reform which had basically brought about simultaneous improvement in both results and speed. The gross industrial output value for the whole year came to 45.62 billion yuan overfulfilling the fiscal plan by 8.6 percent and showing an increase of 12.5 percent over the preceding year. The work of developing new products had been further strengthened, more than 1,000 kinds of new products had been successfully trial-produced in the entire year, of which 84 kinds had filled blank spots in the country. Through Shandong 175 products were rated by the ministry as fine-quality products, 570 items were rated fine-quality products by the province. It was a year that produced the most fine-quality products with 38 winning the state quality awards.

A New Situation also Emerged on the Capital Construction Front: Key construction projects were further strengthened as the construction structure became more rationalized. The proportion of investment in energy, transport, and scientific, technological, cultural, and educational projects increased to some extent, large and medium projects planned were finishing faster than in the year before last. The construction of Shijiu harbor, the Yanzhou-Shijiachuang railway, and the ethylene plant with a capacity of 300,000 tons were all being stepped up. The Yantai synthetic leather plant which was completed and put into operation had not only provided the light industries with more and more raw materials but also promoted the development of some local industries.

New Progress in Opening to the Outside World: A great deal of work was done and gratifying progress made in importing foreign capital and technology and joint ventures and in building the Qingdao and Yantai economic and technological development zones. During the first half of last year, Shandong started 383 technological projects with imported foreign capital totaling more than $220 million. It was estimated that Shandong's gross value of export commodities in foreign trade last year increased by more than 10 percent over the year before last.

12662
CSO: 4006/674

ECONOMIC MANAGEMENT

TIANJIN'S RURAL INDUSTRY SUPPORTS URBAN INDUSTRY

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 1 Jan 86 p 1

[Article by Zhang Xiaojian [1727 2556 1696]: "By Integrating Urban with Rural Areas and Advancing Side by Side, Tianjin's Township and Town Industries Have Become the Strong Helpers of Urban Industries"]

[Text] By building around cities and following the road of integrating urban and rural areas, the township and town enterprises of Tianjin Municipality have continued to make steady progress in 1985. By the end of October, industrial enterprises at township and village levels have realized more than 2.55 billion yuan in output value. It is expected that it will reach 3 billion yuan this year, an increase of approximately 30 percent over last year.

Tianjin Municipality has a history of more than 20 years in developing industries by integrating the urban with rural areas. Since 1979, by widely distributing spare parts and components in a systematic and organized way, the output of "Flying Dove" brand bicycles and "Peony" brand sewing machines produced by the Tianjin Municipal Bicycle Industrial Co. and the Sewing Machine Industrial Co. has increased markedly in successive years and achieved fairly good social effects. Following the handing down of CPC Central Committee Document No 4 in 1984, some new tendencies in coordinated development of urban and rural industries have appeared with the concern and support of the municipal CPC committee and the municipal government:

1. Township and town industries have, on the whole, been included in the overall plan of Tianjin Municipality for industrial development. While drawing up long-range plans and arranging for industrial production plans, the municipal economic and planning commissions have regarded township and town industries as an important component of the entire industrial production system and made overall planning and arrangement. In 1984, in drawing up trade development plans, the municipal No 1 machinery bureau, the textile bureau and the silk company arranged for 70 comparatively large industrial projects in the countryside in line with the principle of integrating urban and rural areas which with an investment totaling 270 million yuan, are capable of creating an annual output value of 710 million yuan when all are put into operation.

2. Rapid progress has been made by enterprises jointly operated by industry and agriculture. Enterprises jointly operated by industry and agriculture in

Tianjin Municipality came into being in 1979. By the end of 1984, 5 years later, the entire municipality had only 52 enterprises jointly operated by industry and agriculture. More than 70 of these enterprises were developed by the end of October last year after the municipal departments concerned relaxed policies and extended active support. The municipal No 2 light industrial bureau had regarded the road of integration as the only way to reinvigorating the light and textile industries. During the first half of last year, they teamed up with the countryside in setting up jointly operated enterprises of clothing, shoes, drawing instruments, barbershop appliances, and handicraft articles. Exploiting the potential of producing piece goods, the textile system in the municipality set up six more new enterprises jointly operated by industry and agriculture in addition to the existing ones to produce products in short supply such as windbreakers and raincoats, Western-style clothes, and sports wear. Beginning last year the municipal No 1 machine-building system readjusted the existing processing outlets by tightening integration. Since last year it has set up more than 20 township and town branch factories or affiliated factories. The branch accordion factory jointly established by Xinzhuang Town in the southern suburban district and the Tianjin Accordion Factory has resumed production of the "Parrot" brand foot-pedaled organ, a brand name product in Tianjin, which won first place recently at the national fine products appraisal meeting called by the Ministry of Light Industries.

3. As a result of the dissemination of spare parts and components and specialized coordination in work, some new specialized production systems of urban and rural integration are taking shape. The Municipal Automobile Industrial Co. has 119 township and town processing outlets yielding an annual output value of more than 30 million yuan. Since last year it has organized more than 20 township and town enterprises into a coordinated operation in producing major components for front and rear axles, trunks and floorboard assembly, thus laying the groundwork for increased production next year. The southern suburban district has organized 18 township and town enterprises into an automobile parts company which produced 130 front and rear axles. With the help of technical personnel of municipal departments concerned, it built up its productive capacity and last year trial-produced 1,000 units which basically met the quality standards. The cost of producing cast and forged items by township and town enterprises is one-third lower than that produced by other industries in the municipality and the product quality is guaranteed. Over half of the cast and forged items of the municipality's automobile industry at present is done by township and town enterprises. The municipal automobile gears plant produces 15,000 sets of automobile gears a year and it undertakes processing by machinery only while the processing of all cast and forged items is done by township and town enterprises.

12662/13045
CSO: 4006/674

JIANGSU RURAL ENTERPRISES STRESS PRODUCT QUALITY

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 1 Jan 86 p 1

[Article by Sun Shuyang [1327 0647 7122]: "Shifting Focus from Quantity to Quality, Jiangsu's Township and Town Enterprises Review Experience and Go Forward in Triumph"]

[Text] Last year, in spite of tight macroeconomic control by the state, Jiangsu's township and town enterprises surmounted hardships brought about by credit and prices by adhering to the principle of acting according to one's capability and doing one's utmost in line with local conditions and giving systematic guidance and still achieved noticeable economic results. According to statistics, from January to November, the industrial output value of Jiangsu's enterprises at the township and village levels amounted to 32.9 billion yuan and was expected to exceed 36 billion yuan in the entire year, an increase of 60 percent over the preceding year; the gross output value of Jiangsu's township and town enterprises was expected to exceed 40 billion yuan in the entire year.

The year 1985 represented a period in which Jiangsu's township and town enterprises shifted their emphasis from more quantity to improved quality. In that year, Jiangsu's township and town enterprises had concentrated their work mainly in the following four areas:

1. Overall popularization of the "one contract and three improvements" experience. At present 90 percent of the enterprises in Jiangsu have signed contracts for output-related systems. Starting by straightening out the guiding ideology of reform, the administrative departments have also done a great deal of work in adequately extending the contractual period, strengthening supervision and management, and correctly handling the relations between the state, the collective, and the individual as well as the relations between benefits of engaging in regular work and in farming as so to add vitality to the enterprises reported brisk production and sales and made good progress in production and management.

2. Concentrating efforts on "three ups and one elevation". They included the fundamental work of raising quality, management, and technology and elevating economic results in their daily agenda. Last year, Jiangsu's township and town enterprises administrative bureau popularized Shazhou County's "three ups and

one elevation" experience and conducted a thorough quality inspection in the township and town enterprises turned out more than 200 fine-quality products at the municipal level, more than 20 fine-quality products at the provincial level, and a number of fine-quality products cited by the ministry, together with products that won international prizes.

3. Strengthening "four relationships and one promotion." This means developing the lateral relationships between funds, goods and materials, technology, and personnel, and promoting rational circulation and a setup for better operations. Township and town enterprises in Jiangsu started to organize a supply and marketing network, intellectual training, technology market, scientific and technological services, and other work last year to improve the substance and form of lateral relations and accelerate the circulation of goods and materials, technology, and funds. Wujin County has established relations of coordination with more than 200 units in 23 provinces, municipalities, and autonomous regions and set up 10 raw material and fuel bases to give relative stability to the production and operations of township and town enterprises.

4. "Turning the five wheels simultaneously" by paying attention to developing the household, joint household, and cooperative enterprises and giving priority to setting up township and town enterprises on the "two households" basis before gradually moving toward integration. Huaiyang City has followed the road of achieving common development mutually in multiple levels and forms with the "two households" as the foundation and the township and town enterprises and as the leading force and backbone. Yangzhou City has set up administrative organs to direct the management of enterprises run by the "two households." It is estimated that the output value of the final three levels of enterprises [the household, the joint household and cooperative enterprises] in the whole year will exceed 2 billion yuan.

12662/13045
CSO: 4006/674

JINGJI GUANLI ON ECONOMIC LEVERS, LEGISLATION

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 5 Nov 85 pp 4-7

[Article by Yang Chuntang [2799 2504 1016]: "The Relationship Between Economic Levers and Economic Legislation in Macroeconomic Management"--edited by Lin Daojun [2651 6670 0689]]

[Text] Economic measures and legislative measures are the two basic measures a socialist nation uses in managing its economy. In economic life, these two major measures are manifested as economic levers and economic legislation. Facts have proven that economic measures and economic legislation are very closely related. Today as the reforms of the economic structure are continually deepening, the analysis of these two major regulatory measures in economic life and exploring specific measures for the coordinated use of the two major regulatory systems has great theoretical and practical significance for scientifically and effectively achieving state macrocontrol of the economy in the new period.

I. The Objective Basis for Using Economic Levers and Economic Legislation

Economic levers come under an economic category, while economic legislation comes under a legal category. The former is generally manifested as a value form, while the latter is generally manifested as a normative form. Seen from the process of economic development in developed countries, economic levers and economic legislation are very closely linked with the development level and the stage of the socialization of production.

During the free competition period of capitalism, economic levers automatically play a role in economic life, restricting economic activities in various respects. The most dynamic economic levers are pricing, profits, interest and wages, and the main users of these economic levers are the bourgeoisie, that is, the capitalists. Following the development of the socialization of production, the negative roles of automatic regulation of the market economy became clearer daily. Following economic crises and the damage to social productive forces, the capitalists demanded that the state, which represents their overall interests, act to intervene in the economy to alleviate economic and social contradictions which the capitalists themselves could not resolve. At this time, economic legislation formulated to adjust capitalist economic relationships appeared, and capitalist states had to use economic levers to regulate socioeconomic life. Economic levers thus began to take on a state color.

A socialist economy is established and developed on the basis of public ownership of the means of production. A socialist state's economic management is greatly superior to that of a capitalist state. But for a long time we mistakenly understood a socialist state's economic function as the exercising of vertical administrative control from top to bottom over all specific economic activities in the society. This led to an ossified economic system greatly unsuited to the development of productive forces, resulting in the socialist economy--which should have been bustling with activity--losing to a great extent its due vigor. Following reform of the rural economy, our nation began economic structural reforms which focused on urban areas. Traditional centralized-power management forms have begun to change into planned commodity economy forms. At a time when economic management forms are changing tracks, however, some new questions which demand answers have arisen: Once the administrative relationship between the enterprises and the state is weakened, how are we to guarantee the state's macrocontrol over economic life? Once the scope of mandatory planning is reduced and the proportion of guidance planning and market regulation increases, how are we to guarantee the realization of state plans? Once enterprises' autonomy increases, how are we to safeguard the legitimate interests of enterprises and how are we to ensure that the microeconomic decisionmaking of enterprises does not harm the society or individuals? Once the horizontal relationships between enterprises develop, how are the contradictions and disputes which are produced by these relationships to be handled? And so on.

Recently, a leading cadre clearly pointed out that after the reforms of the economic structure, "If the state is to be able to control vigorous enterprises, it will have to exercise management from the macroeconomic level. To achieve this, things must be approached from two angles: First, it is important to do well in economic legislation, and second, it is necessary to use economic levers to provide guidance. Through these two avenues, it will be possible to manage things without creating confusion." This is a scientific summation of the strategic changes to be implemented in our nation's economic management. The question now is, under conditions of economic structural reforms, why does the state need to use economic levers and economic legislation to realize macromanagement of the economy?

I believe that stressing the role of economic levers and economic legislation in macroeconomic management is primarily determined by the objective facts of our nation's planned commodity economy. A socialist society must be a society in which the commodity economy achieves unprecedented development. In the overall socialist historical period, the development of the social productive forces and even social progress is directly and closely linked with the development of the commodity economy. In many of today's socialist nations, which were originally economically backward countries, this task of developing the commodity economy is especially pressing. The full development of the commodity economy inevitably requires that economic levers which reflect the commodity-money relationship are fully enlivened, demands that people act in accordance with objective economic patterns, and master and use economic levers to guide economic life. Enlivening economic levers is also beneficial in promoting the development of the commodity economy. In another respect, the socialist economy is a planned commodity economy, a commodity economy in which control, standards and management are exercised from the macroeconomic level. The interests of socialist commodity producers are basically identical with the interests of the state and the whole society. When socialist commodity producers seek relatively independent economic interests, they are conditioned by not being able to harm the interests of the state, the society or other people, their economic activities must abide by certain norms and standards and their vigor is restricted by state policies, laws and plans. Thus, economic legislation formulated by socialist states is a legislative manifestation of a planned commodity economy, and is the basic means by which the state exercises control over the economy. Following the increased breadth and depth of the socialization of production, it is especially true that economic life cannot be disorderly and unsystematic, and that it is necessary to establish a scientific order. Also, it is inconceivable that the establishment of this scientific economic order could be divorced from economic legislation. Having an order in economic life conforms not only with the interests of the state and of the society, but also with the interests of every relatively independent commodity producer. It is the condition under which commodity producers can ensure that their legitimate interests are not violated in the commodity economy.

Also, stressing the role of the two measures in the macroeconomy stems from changes occurring in our economic management system. If we take the pricing management system as an example, planned prices in the traditional sense are partially retreating from the stage of history, and are being replaced by floating prices and market prices. We are now in the process of changing from vertical centralized-power administrative management to a combined vertical and horizontal network-style economic management, from placing stress on materials management to placing stress on pricing management, and from direct management to indirect management. This will be especially true after enterprises' autonomy is expanded and they become economic entities with independent economic interests and sole responsibility for their own profits and losses. The state will be unable to interfere in the direct operational activities of the enterprises and will control the economy from the macroeconomic level. In another respect, as those horizontal relationships widely developed through commodity exchange are being greatly strengthened, the original administrative measures are nearly powerless in dealing with the contradictions and disputes arising from economic relationships which span departments, span industries, span regions, and even span nations. All of these require that the state's methods for managing the economy must be changed. That is, they must be changed from the former system of mainly relying on administrative measures to a system which mainly relies on economic measures and legislative measures.

From this, it can be seen that under a socialist system, the planned commodity economy is the economic basis for the application of economic levers and economic legislation. The existence of the economic functions of a socialist state is the political basis for the application of economic levers and economic legislation. Also, a planned commodity economy which is managed through economic levers and economic legislation is an objective demand for scientifically and effectively realizing state macrocontrol of the economy after the reform of the economic structure.

II. The Complementary Roles of Economic Legislation and Economic Levers in Economic Life

A socialist state realizes its economic functions through economic levers and economic legislation. Not only do these two major measures have their own special function in economic life, but also a complementary role in economic life which could not be carried out if either were lacking.

First, let us discuss economic levers. Because a socialist economy is a planned commodity economy and there exist independent economic interests of different commodity producers, it determines that the state must exercise directional control over the economy by economic levers which directly reflect economic interests. This is because: 1) Economic levers can easily more directly manifest the commodity-money relationships in actual economic life; 2) the use of economic levers by the state to regulate the economy is a type of regulation which is not direct but which still has strong influence on the enterprise economy; 3) the use of economic levers provides enterprises with a considerable amount of choice and motivation. For example, in the use of credit at different interest rates, enterprises have a relatively large choice. This characteristic determines that, in their effects on economic life, economic levers are mainly inductive. That is, the state, by regulation through economic levers, changes or shapes the external economic environment for enterprises. It creates economic conditions which are either beneficial or harmful, and guides and encourages or restricts enterprises, in the changed or newly formed operational conditions, to make selective decisions which match their own interests. Thereby, microeconomic and macroeconomic coordination is automatically achieved and contradictions between microeconomic decisions and state interests are avoided. It can be seen that economic levers have the three functions of guiding, promoting and restraining people in their economic lives. These three functions all have origins in material interests. Material interests are the core and the soul of economic levers and the motivating force in the action of economic levers.

Next, a look at economic legislation. Economic legislation is by nature the state's legislative standards for adjusting economic life. Its role in economic life is not manifested as guidance, but as a type of supra-economic coercion by the state. Its core is not material interests, but a statutory, defined relationship of rights, responsibilities and obligations. Although some legislation clearly involves material interests, the legislation only affirms and safeguards the relationships of these interests. At the same time, economic legislation is not as flexible as economic levers, and it manifests a certain stability. Similarly, in a planned commodity economy, economic legislation is indispensable. This is because: 1) Economic legislation is the state's conscious legislative adjustment of economic relationships and is, in itself, entire and complete. 2) It is a standard for actions, hence clarifies qualitative and quantitative stipulations in respect of what is legal, what is illegal, how economic activities should be carried out, on what conditions they should be carried out, and what punishments violators should be subject to. It thereby provides rules and standards by which people are to carry out their economic activities. 3) Economic legislation is the product of pooled wisdom. It therefore excludes and avoids the subjective arbitrariness of individuals. 4) Economic legislation provides legal weapons for resolving economic contradictions and economic disputes created by horizontal relationships. These characteristics of economic legislation determine that it has a decisive role in the economic life of society. As the economy becomes more open and more enlivened, economic legislation becomes obviously more important. It can be said that if we do not borrow from the strength of the superstructure and do not rely on the coerciveness of legislation, it will basically be impossible to enliven the economy without giving rise to disorder. This is an important law in economic life.

In brief, economic levers and economic legislation both have their own special role. Economic life requires guidance yet also needs coercive management. If there were no rules, there would be no limits and if there was no guidance, then economic life would lose its direction and power of motivation.

III. The Relationship Between Economic Levers and Economic Legislation

Economic levers and economic legislation have a very close relationship.

1. The state's use of economic levers and formulation of economic legislation are both the result of the state recognizing and using objective economic laws, and neither can violate objective economic laws. They differ only in that they manifest the economic laws in different forms.

2. Economic levers and economic legislation permeate each other in actual economic life. For example, in pricing and economic management legislation, interest and financial management legislation, foreign exchange and foreign exchange legislation, the contents of each are related. Some economic levers are actually economic measures which have been put in a legislative form. For example, in the payment of taxes, the taxpayer must fulfill his obligation as stipulated by the law. This is a legal activity. At the same time, when the state is using taxation through changing, reducing, alleviating or exempting tax types, tax items and tax rates to adjust the economy, it is using economic levers.

3. Economic legislation provides legal guarantees for the scientific use of economic levers. Because economic levers are mostly linked with the commodity-money relationship, their use will inevitably bring a certain blindness. This requires that we formulate scientific stipulations for the use of economic levers, so that the use is governed by rules and so that there is legislation on which the use can be based. In this way, we can avoid blindness occurring in the use of the levers and prevent the use of an economic lever by responsible departments or individuals to engage in illegal activities.

4. The roles of economic levers and economic legislation have a basically identical direction. Under the conditions in a socialist state where economic functions are being continuously perfected, both promote the normal and stable development of social productive forces, inspire the raising of economic and social benefits, and accelerate the continuous progress of technology. Nevertheless, there are places where the two are not coordinated. These are what we generally refer to as "the rational but illegal" or "the legal but irrational."

5. Economic levers and the use of mechanisms and feedback mechanisms of corresponding economic legislation are under the same organic system. Taking interest as an example, banks are the major users of this financial lever, and also the main executive department in terms of economic legislation. Problems in the use of economic levers and economic legislation are mainly fed back through the banking system. This phenomenon of one entity with two tasks forms the objective basis for coordinating the two measures. Seen from another angle, if we do not have a scientific grasp of objective economic life, it leaves an opportunity for subjective arbitrariness.

6. Both economic levers and economic legislation are state measures for controlling the economy under conditions of dispersed autonomy. However, all sorts of economic supervision, such as financial supervision, statistical supervision, tax supervision, and market supervision are directly linked with economic laws, regulations and rules. If we do not have appropriate norms set down by economic legislation, it will not be possible to carry out the various types of economic supervision. Speaking figuratively, the relationship between the economy, economic levers and economic legislation is like the relationship between a train's carriages, their wheels and the tracks.

IV. How Are We To Coordinate the Relationship Between the Major Regulatory Measures?

It must be recognized that our nation still does not have the full conditions for scientifically utilizing economic levers and economic legislation. This is mainly manifested in the considerable number of cadres (including some leading cadres) in leading economic work that have not truly recognized the importance of economic levers and economic legislation. They are not familiar with or do not feel accustomed to these major measures. The consistency of the state in its use of economic levers to regulate the economy has not been recognized and the role of the pricing, interest rate and taxation economic levers has not yet been rully brought into play. The phenomenon of contradictions between the various economic levers exists to various degrees, a large number of urgently needed economic legislation such as a banking law, an enterprise law, and a bankruptcy law have not yet appeared, while rules for economic life which are scientific and are coordinated with economic life have not yet been established and perfected. There is a lack of coordination between the two major regulatory measures of economic levers and economic legislation. And so on. All of these require that not only must we resolve in theory the question of how macroeconomic control is to be carried out, but also resolve in practice the questions of what is to be controlled and how it is to be controlled. We particularly have to coordinate the relationship between the two major regulatory measures. In this, we need to pay attention to the following aspects:

1. Economic levers must be used and economic legislation must keep pace. That is to say, current economic levers are quite flexible but legislation related to them is not coordinated. This is a question which must be paid much attention in the current reforms. For example, the use of stocks and bonds is already quite brisk and many enterprises use stocks and bonds to resolve their problems in terms of a lack of funds. Yet, there is still no national stocks and bonds legislation which goes along with this leverage. This situation where legislation lags behind can easily lead to disorder occurring after the economy is opened up. It is therefore necessary to speed the work of formulating economic legislation which matches up with economic levers. If the central authorities are unable at present to do this, then the localities can do it at first. If specific legislation cannot initially be enacted, then rough legislation should be drafted first.

2. We must pay attention to resolving the "legal but irrational" or "rational but illegal" problems. In a period of sudden changes in economic relationships, it often happens that the economic relationships change, but the applicable legal standards do not, resulting in the irregular phenomena mentioned above. Thus, we must take as the standard whether something is beneficial to developing the social productive forces or not, so that legal relationships and economic relationships are coordinated. Those outdated and old-fashioned legal standards which obstruct the development of the productive forces must be removed with firmness. Those which should be revised or supplemented should be included in economic legislative plans and revised in a timely way.

3. We must pay attention to coordinating the relationship between the system of economic levers and the system of economic legislation. The common characteristic of economic levers and economic legislation is their systematic nature. Hence we must not only ensure that economic levers and economic legislation are coordinated, but must also see to it that the two regulatory systems are coordinated; and not only ensure that the two systems are coordinated at the central level, but also that they are coordinated at the local level. This is the key to ensuring that macroeconomic regulation forms a single entity.

4. We must plan, in an overall way, the balancing of contradictions which occur in the feedback processes of the two measures. In the use of economic levers, contradictions with related economic legislation may occur; and in the application of economic legislation, some contradictions with economic levers may be encountered. This requires that responsible departments in their economic activities feed back in a timely way two types of information, and coordinate and iron out the relationship between the two.

5. We must study how to comprehensively utilize economic levers and economic legislation. In practice, we must gradually master the patterns in using the two measures and strive to master how to comprehensively utilize the two measures. We must pay attention to comparing which measures are most

beneficial under which conditions, and under which conditions it is most beneficial to use the two measures. We must not only understand the rationality of economic actions, but also their legality. We must study how to use the two measures to safeguard legitimate interests so that our economic management staff can gradually become experts in both economics and law.

6. We must pay attention to studying the characteristics of the roles of the two measures during the period of economic structural reforms. We are at present in a period where the old economic system is changing into the new. For quite a long time to come, the role of administrative measures cannot be ignored. Hence we must organically link up the economic, legal and necessary administrative measures. In areas which are gradually opening up, economic and legal measures must be used to prevent and overcome the blindness of regulation by market mechanisms. Economic levers which are used in implementing guidance planning and regulation by market mechanisms must be relaxed and, under the conditions of doing a good job of economic forecasting, must be flexibly used. Things which need to be restricted should be restricted through the creation of burdensome operational conditions. Those things, the development of which should be encouraged, should be encouraged by the creation of favorable conditions.

/6091
CSO: 4006/642

ECONOMIC MANAGEMENT

PRC JOURNAL ON ECONOMIC LEVERS, INVESTMENT CONTROL

Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 85 pp 8-12

[Article by Liao Renxing [1675 0088 5281]: "On Economic Levers and Investment Control"--edited by Lin Dacjun [2651 6670 0689]]

[Text] 1. The contents of investment control

Investment in fixed assets is a matter which touches on a very wide area. It involves macroeconomy and also involves microeconomic activities. Under the conditions of a socialist planned commodity economy, it is necessary to implement the principle of managing the macroeconomy well and free up the microeconomy. This requires that, on the basis of seriously analyzing and fully researching the patterns of investment, we use economic levers to control investment, so as to achieve the goal of improving the benefits of investment.

The first component of macroeconomic control of investment is setting restrictions on the total volume of investment, that is the scale of social investment. Marx pointed out: "There are undertakings which take labor and the means of production over a long period, but which do not supply useful produects during this period. Some other production sectors continually or regularly take in labor and the means of production over a year, but also supply means of livelihood and means of production. On the production basis of public ownership by society, it is necessary to stipulate to what scale the former is carried out so that it does not harm the latter." (Marx, "Das Kapital" vol 2 p 379) Here, "the former" refers to activities of investing in fixed assets, while "the latter" refers to active production. It can thus be seen that long ago Marx had raised the question of fixing a rational scale of investment. Comrade Chen Yun has, in accordance with the practice of our nation's economic construction, put forward a concise formula for controlling the scale of investment: "The scale of construction must be suited to national strengths." "Whether it is thus suited is the deciding factor in the stability of the economy." On the basis of our understanding, the "national strengths" which can be used in basic construction refer to the financial and material strengths after maintaining existing production and necessary consumption. They are the quantitative limit for the scale of total investment.

The second component of macroeconomic control of ivnestment is the investment structure. The reason necessary to control the investment structure is primarily the one pointed out by Marx: "If we are to achieve production quantities which accord with different quantities demanded, it is necessary to expend different and fixed quantities of total social labor. The necessity of this allocation of social labor in accordance with fixed ratios certainly cannot be eliminated by particular forms of social production. What these can change is only the outward manifestations. This is self-evident." ("Selected Works of Marx and Engels" vol 4 p 363) Also, socialized large-scale production, division of work and specialized coordination all require that there is coordinated development of the various sectors of the national economy. Thus, it is necessary to rationally arrange the overall distribution of investment.

The third component of macroeconomic control of ivnestment is the economic benefits of investment. Marx believed that people in their economic activities must rely on consuming the lowest amount of strength in carrying out the material changes between themselves and nature. Investment benefits are the ratio between the amount of investment and the earnings from the investment. It is necessary to respect the demands of the law of value and thus not only is there a need to ensure that products satisfy demand, but also a need to consider prices, costs and other factors. Investment projects with good economic results should be selected and ivnestment benefits used as a guide in arranging a rational scale of investment and a rational investment structure.

To sum up the above, the scale of ivnestment, the investment structure and the investment benefits are the basic components of macroeconomic control of investment. These three components together form the restricting factors for the economic quantities of the most desirable investment: the scale of investment is the restricting factor for the economic quantities of the most desirable investment; the direction of investment is the restricting factor for the structural technology of the most desirable investment; and the economic benefits are the restricting factor for the goal of the more desirable investment. Only by exercising concurrent control over these three aspects will it be possible to best control, from the macroeconomic level, investment in fixed assets, and realize the best results.

For a long period, our nation's macroeconomic control of investment has depended on administrative measures, and has directly allocated total social labor among the various economic sectors and economic links. This sort of direct control is highly coercive and is able to guarantee the implementation of the state's construction plans and key construction projects. The drawback is that enterprises become appendages of administrative organs and lose their due decisionmaking power and independence. This does not conform with strengthening the vigor of enterprises. Under the conditions of a socialist planned commodity economy, if enterprises are independent commodity producers, solely responsible for their own profits and losses, and with independent accounting, then they will have to change according to market demands and will have to respond to pricing, profits, and other economic economic stimuli. Since enterprises have the right to allocate retained funds and the right to choose modes of operation, thy will inevitably demand a certain amount of decisionmaking power in respect of investment.

Macroeconomic control and microeconomic enlivening are two aspects of the same thing. They are contradictory, but have a unity and are also preconditions for each other. Vigor stimulated in the microeconomy can create a force which is guided by the market and which can thus result in blindness. If this is not subject to guidance and control, it may easily jump off of the tracks of planning, and create an imbalance in the national economy. Consequently, as we are enlivening the microeconomy, we must exercise macroeconomic control over investment. The methods of control should no longer mainly depend on administrative measures, but should switch to control of economic efficiency. That is to say, we must use economic levers to regulate each sector of the national economy and the investment benefits of each, and thereby influence investment decisionmaking, control the scale of investment and guide the direction of investment and the investment structure. In this way, we will be able to ensure that investors make investment decisions which conform with state plans and social demands, and have the greatest investment benefits. This article will look at the economic levers of pricing, tazation and interest rates, and their integration in various respects, as well as examine their roles in macroeconomic control of investment.

2. The pricing lever and investment control

Pricing is the basis of all types of economic levers. Pricing, as the monetary manifestation of value, reflects the mutual exchange of labor between commodity producers and operators. In economic life, pricing has the following major roles: determines the production and consumption structures and embodies economic efficiency; regulates supply of and demand for commodities; and provides a means for assessing enterprises; economic results. In brief, the law of value is assisted by pricing in regulating, in an overall way, the economic activities of society, and the regulatory role of pricing permeates all aspects of macroeconomic and microeconomic activities.

As far as investment is concerned, one of the roles of the pricing lever is to regulate the supply of and demand for investment. The pricing lever acts on two levels in conditioning the supply of and demand for investment, thereby achieving a balance: First, in the pricing of goods produced through the investment, it conditions the desire of investors to invest. This is the most basic conditioning role of pricing. In accordance with the law of value, the level of prices will guide the scale of investment and the investment structure. If an enterprise, as a commodity producer, is to obtain profits it must, in accordance with estimated profits, determine into which areas and which sectors investment is to flow. At this time, the profit rates in the various sectors are indicators for investment. Also, profit ratios in each sector are closely related to price parity. Thus, pricing controls investment supply and demand and the investment structure through regulation of the rates of investment benefits. Second, the price of construction materials and equipment used also has a great influence on supply of and demand for investment. If the price of the materials used is high, the total project cost will be high. Consequently, the project investment benefits will not be good and investors will have no interest in investing. Conversely, if the prices of the materials used are low; then inevitably the projected investment benefits will have a stronger attraction, which will stimulate investment. Through adjusting the prices of materials used and of goods produced, therefore, it will be possible to regulate projected investment earnings rates and achieve an automatic balance between supply or and demand for investment, and investment will not expand or shrink excessively.

It is possible, therefore, to control macroeconomic activities through a series of pricing policies. For example, it is possible to intentionally divorce prices from value to encourage or restrict the development of particular industries. Changes in labor productivity in the production of commodities and in market supply/demand relationships can also be fed back to people in a timely way through pricing information. This is of benefit in the swift readjustment of production and consumption. Regulating the price levels of materials used is of benefit in controlling the scale of investment, while regulating the prices of goods produced is of benefit in controlling the investment structure.

But the regulatory role of the law of value also brings with it some blindness, which can easily lead to contradictions with the overall goals of socio-economic development. Readjustment of the pricing system is not easy. Changes in prices, especially in the prices of major commodities, often produce very strong repercussions and chain reactions in socio-economic life. Irrationality in the pricing structure can produce contortions in the investment structure. For example, at present some sectors (such as communications and energy) are extremely backward and are hampering the development of the overall national economy. Some products (for example, color televisions) have for a long period been in short supply, while some other products (such as various types of mechanical and electrical products) have long been in excess supply. The reasons for this structural imbalance lie in the distortion of prices. Because of the wide-ranging influence of prices, price changes have great repercussions in the national economy and in social life. It is thus not possible to arbitrarily make adjustments in accordance with changes in the situation, and therefore the pricing mechansim cannot completely effectively profide macroeconomic control of investment. Various signs indicate that if we want to control investment, it is necessary to use other economic levers in coordination with pricing.

3. The taxation lever and investment control

Taxation reflects an allocation relationship which has the state as its main part. It has three functional roles in economic activities: 1) It centralizes financial income for the state; 2) Through this process it regulates the allocation of national income (mainly the m portion) among taxpayers; 3) Through this allocation it regulates the economic activities of taxpayers. In general, changes in tax rates do not produce general upheaval and chain reactions in the national economy and thus these can be used in the macroeconomic control of investment activities.

Some contortions in the investment structure created by the irrationality of the pricing system can be alleviated through the role of taxation. Of the profit portion of a price, allocation is mainly carried out through the form of taxation. Thus, in theory, value = cost (C + V) + m, which in actual economic life is manifested as price = cost (C + V) + enterprise profits + tax. Of course, in the distribution of enterprises' profits, pricing, taxation and enterprise profits are closely linked. In fixed prices, taxes recover the state's centralized portion while the remainder becomes the enterprise's profits. The position of tax between enterprise profits and pricing shows that we can use tax to regulate the contradictions between pricing and allocation of enterprise profits. In various senses, taxation is the only one of the various pricing structure factors not subject to the laws of commodity exchange. This means that in regulating economic activities, taxation has a special and greater driving force.

As to the demand for investment, changes in tax rates can control investment activities on two levels. First, through adjusting the taxes on goods produced, it is possible to engender or dispel investment interest through changes in the projected rate of investment benefits, then without changes in pricing (thus not bringing great disruption to the society), it is possible to regulate the investment structure. For example, to control the consumption of tobacco and wine, a policy of high tax has been implemented. The profits of tobacco and wine generally attract great amounts of investment, which leads to blind construction. Adopting the policy of heavy taxation at this time would reduce investors' hopes of obtaining excessively high investment benefits through investing in tobacco and wine projects, checking investment. Also, a number of low-profit primary industrial products and basic means of livelihood cannot attract investment. For these it is necessary to implement low-tax or no-tax policies to stimulate investment. Second, the level of the tax rate on materials used and the levying of construction tax and its rate can all affect the projected rate of investment benefits, and thereby encourage or restrict investment. Through this, the scale of investment can be controlled.

As to the supply of investment, changes in the tax rate have two different effects. If the autonomy of enterprises or other grassroots-level units is quite wide, a low-tax or no-tax policy will result in the enterprise retaining a high proportion of profits. Local reserve financial strength will be expanded and individual incomes will also grow. This situation will result in increased capacity for investment supply becoming a possibility (because savings will have increased) and also in expanded investment becoming necessary (because increased consumption demands increased investment). This will cause the scale of construction to expand and the national economy will also expand. But, because central finances would be reduced, it would reduce the central authorities ability to intervene in economic life. This would cause the investment structure to be guided by the market, which would result in a certain blindness. Adopting a high-tax policy can overcome the tendency towards blind expansion of investment and can also strengthen planned guidance of the investment structure, but if tax rates exceed rational limits, they will have an undesirable effect on the development of the national economy. This is because they will inhibit consumption and savings which will also curb the motivation for investment. This is not in keeping with the principle of enlivening enterprises.

In summing up the above, the taxation lever has a role in guiding both the scale and the structure of investment, and it is able to partially alleviate contortions in the economic structure produced by the irrationality of the pricing system. But the role of tax is quite restricted when compared with the pricing system. Because taxation mainly involves the allocation of profits between the state and enterprises, its influence on the overall socioeconomic situation is negligible. Since the scope and range of regulation is subject to the restrictions of profit levels within pricing, the need for state financial income, and other important factors, it cannot completely influence the supply of and demand for investment. For those products or enterprises which produce very little profit or even incur losses, despite low tax or exemption, taxation measures will not be enough to attract sufficient investment. At the same time, the purpose of taxation is collecting revenue for the state and this revenue needs to be fairly stable. Hence, we cannot arbitrarily readjust imbalances in investment supply and demand brought about by the market. Its regulatory role, therefore, is not as effective as that of the pricing mechanism.

4. The interest rate lever and investment control

In the macroeconomic control of investment, interest rates are an extremely important economic lever. The interest rate lever regulates and controls investment activities through the movement of funds. Seen from the angle of macroeconomic management, after the credit mechanism is adopted in fixed asset investment, it is necessary to bring interest rate levers into play, thus controlling investment.

The functions of interest rates are as follows: 1) Interest is a means by which banks participate in the distribution of enterprises' profits. The interest rate also manifests the average degree of profit which the bank will divide up. Under conditions of fixed product price and tax rates, interest and enterprise profits have a relationship where one gains only at the expense of the other; 2) Interest rates play a role in regulating the scale and direction on investment through dividing up a part of average profits. The role of the interest rate lever has something in common with that of tax rates. In controlling investment, the interest rate lever can fill in those areas where tax rates and pricing mechansim are insufficient. But the interest rates are in the hands of the banks, which is different from other economic levers. Changes in interest rates influence investment activities and savings activities, and thereby influence the macroeconomy. In the situation where other conditions do not change, interest rates for credit and investment demand have an inverse relationship: when interest rates for credit are high, enterprises projected investment costs will be high and the rate of profits low, thereby restricting investment demand. When interest rates for credit are low, the projected rate of investment benefits will be high, stimulating investment demand. From another angle, interest rates on savings and the investment supply are directly proportional. If the savings interest rate is high the banks will draw in a large amount of social funds and their investment supply capabilities will be strengthened.

If the savings interest rate is low, the banks will draw in only a small amount of social funds and it is possible that funds supply will not meet demand. So interest rates are regulators of investment supply and demand.

Interest rates can also be regulators of the scale of investment and also a means of assessing investment benefits. Through changes in interest rates, it is possible to control rates of income in different sectors and to regulate the investment structure. Our nation's current interest rate for investment credit is very low, which results in low investment costs. This conceals the problem whereby some investment projects have poor investment benefits, which encourages investment inflation. Thus, we can appropriately raise credit interest rates increasing costs of investment to cause some projects with poor economic benefits to become unprofitable or loss-makers, causing the enterprises to cut down such investments. Those projects which have quite good investment results will, in a situation where investment costs rise, still be able to realize profits rates higher than the interest rates, and such projects will be retained. In this way, on the one hand the economic benefits of investment will be enhanced and, on the other hand, it will be possible to eliminate some projects with poor investment results, and thereby reduce the overall amount of investment. Through the process of dynamic balancing between credit interest rates and comprehensive investment planning, it will be possible to make investment supply adapt to investment demand.

The role of interest rates in controlling investment is manifested as influence on the investment decisionmaking of localities and enterprises. The roles of the law of value and the law of the average rate of profit ensure that investors pay much attention to the projected rate of investment benefits. They must compare credit costs with the level of profits which can be achieved and subsequently make the investment decision in accordance with the size of investment earnings.

Through adjusting interest rates to control investment, it is also possible to centralize funds which are dispersed in society and channel them into investment projects with great economic benefits. When total funds have not yet reached the quantitative level where it is possible to solely use them as the production base, or when the projected rate of investment earnings is lower than the interest rate, then funds will be stored in banks. Banks will then transfer them to investment projects which have high earnings ratios and good economic results, achieving a rational flow of funds.

The interest rate lever is more flexible than pricing and taxation levers. Through controlling the movement of funds in society, it regulates investment both within and outside the plans.

The flexiblity of the interest rate lever is manifested in that it can float within certain limits and in that differential interest rates can be implemented for different trades and for different regions. In this way, it plays a more flexible role in adjusting regional distribution and industrial structures than does the pricing mechansim, which rejects exceptions and tends towards uniformity. Floating interest rates mainly balance total supply of and demand for funds and control the scale of investment. Differential interest rates mainly guide investment into particular industries and regions and are thus of benefit to structural readjustment and strategic development.

The use of the interest rate lever to exercise macroeconomic control over investment is not a universal measure. At times, it must be combined with tax rates and the pricing lever since the role of interest rates is not complete. For example, under the influence of interest rates, social funds will tend toward high-earning projects. But the earnings ratio of investment projects is affected not only by the cost of credit, but also by prices and interest rates. Also, because the prices of some products in short-supply, and some key state projects are irrational, they are unable to attract investment. Hence, at the same time the interest rate lever is used to control investments, it is also necessary to use pricing, taxation, and other economic levers to regulate the level of earnings, encourage investment in products in short supply and major projects in need of developing such as energy and communications, and restrict enterprises from developing the production of products in excess supply.

5. The necessary coordinated use of the three major levers of pricing, taxation, and interest rates

Individual economic levers are unable to exercise effective control over diverse, multilevel investment activities. Economic measures are a system of many economic levers. Only through the coordinated use of economic levers which can play roles from different angles is it possible to control macroeconomic activities. There is thus a need to ensure that pricing, taxation, and interest rates are linked up and coordinated. The necessity of this is manifested in: 1) A socialist economy requires a rational pricing system and requires that the state is able, through taxation, to control certain financial strengths. It also requires that bank interest rates are able to play a role in regulating investment supply and demand; 2) A socialist planned commodity economy requires the rational allocation of enterprises' profits; 3) The regulation of investment activities needs to be diverse and varied. The regulatory roles of the pricing, taxation, and interest rate levers each have their own points of emphasis and restrictions. Also, the degree to which, and the direction in which, the various economic levers exercise their role is not uniform.

In beief, the use of economic levers to control investment in fixed assets mainly involves the bringing into play of the law of value and the law of average rate of profits. Investors seeking the greatest rate of earnings and, on this basis, selecting the best direction of investment and most rational scale of investment will be of benefit in shifting our nation's economic construction onto the track of improved investment benefits. This method of control is suited to the nature of the economic structural reforms. On the basis of perfecting enterprises' operational responsibility systems and having them correctly utilize their autonomy in seeking appropriate economic benefits so that the enterprises truly become fairly independent commodity producers, this method of control will ensure that enterprises and localities make investment decisions which, while in accordance with their own interests, also basically conform with state plans.

Of the three types of economic levers which can influence investment earnings, the most flexible is the interest rate lever, followed by the pricing lever, and then the taxation lever. The lever which can come into effect most quickly is pricing, followed by taxation and then interest rates. Price changes have great repercussion on the national economy and can easily produce chain reactions. The tax levers requirement for relative stability is in contradiction with the changes in commodity supply and demand. Although interest rates can play a role over a long period, they do not play the most important role. Consequently, there is a need for economic levers to be used in a coordinated way.

In investment activities, to coordinate with the reform of the economic structure so that the microeconomy has sufficient vigor, it is necessary to readjust prices, and reform pricing systems which do not truly reflect the value of a commodity and which are not really effective, so that tax-rate planning has a basis, and so that pricing signals can correctly guide the investment of funds. In this way, we can avoid situations where supply does not meet demand or where supply exceeds demand, and will not frequently change tax rates and interest rates in trying to alleviate the irrationality of prices. The correct countermeasure at present is, on the basis of implementing the second step of the reform to substitute tax payment for profit delivery, to make tax rates fairly stable so that they are coordinated with large-scale price readjustments. In the fixing of interest rates, it is necessary to consider alleviating the problems left unresolved after the readjustment of prices and tax rates. As for both of demand for investment and supply of investment, we should mainly seek to control the latter. Concurrent with adopting various administrative measures, we must adopt mainly economic-type control methods and, by utilizing investors' desire to seek profits above the average level, adjust projected rates of investment benefit. In brief, with the system of economic levers, as one lever maintains stability, the role of another can be strengthened ot control investment. This is the coordinated use of economic levers.

So that it is possible to comprehensively utilize various economic levers in controlling investment activities, it is necessary to establish a specialized investment coordination organ jointly comprising various comprehensive economic departments. These will be able to spread investment information in a timely way, and regularly consult about and set down plans for using regulatory measures in a coordinated way so that there is unified progress and coordinated action. Simultaneously, in accordance with the system of planned management, various investment coordination organs should be set up by the provincial city and regional levels, to be responsible for the coordinated use of economic levers within the limits of their own powers and for linking them up with the plans of upper and lower levels, to guarantee the smooth implementation of investment activities.

/6662
CSO: 4006/645

JOURNAL ON ACCELERATING DEVELOPMENT OF TERTIARY INDUSTRY

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 5 Nov 85 pp 13-16

[Article by Huo Guoyin [6787 0948 0603]: "Several Theoretical and Policy Problems Which Must Be Solved Before the Development of Tertiary Industry Can Be Accelerated"--edited by Liu Qichang [0491 0366 2490]]

[Text] In implementing the decision of the CPC Central Committee on reform of the economic structure and accelerating the overall reform of the economic structure with major stress on cities, the vigorous development of tertiary industry has been placed on the agenda.

At present, countries of the world have different concepts and understanding of the nature of tertiary industry and different interpretations of its scope. In my opinion, starting from the actual situation of our country, the various social service trades and enterprises serving the people's livelihood and production should come under the blanket name of tertiary industry. Principally, it embraces the following seven categories: 1) Public municipal service trades, including municipal construction, real estate enterprises, urban public communications and transport, post and telecommunications, waterworks and electric power supply, gas and thermal power, water lanes, environmental protection, tree planting, and parks and gardens; 2) livelihood service trades, including restaurants, hotels, cleaning and dyeing works, barber shops, beauty saloons, gymnasiums, bathhouses, and recreational and amusement grounds; 3) production service trades, including advertising, consultation, information, repair, and warehousing; 4) circulation service trades, including wholesale, retail, and lease and hire; 5) financial service trades, including banking, trust, insurance, investment, and general agency; 6) specialist service trades, including legal affairs and accounting; 7) social service trades, including cultural and education, science and research, public health and health care, and social welfare.

In addition, the work of government organs, armed forces, police, law courts, safety protection departments and clerical and filing offices is also needed by society and is also service in the broad sense, but since these departments are nonproductive departments, they do not belong to the category of tertiary industry.

I

In the past, there were many causes for tertiary industry's slow development in our country. If we examine the problem from the standpoint of ideology and understanding, it may be found that the basic cause was the shackles of the traditional economic outlook of several thousand years' standing which "stressed the fundamental but slighted the incidental" and which "stressed agriculture but neglected commerce," refusing to recognize labor services as productive services. In addition, over the past 30 years and more, the influence of "leftist" thinking has helped to form the prejudice of considering social service enterprises as philanthropic or welfare enterprises. To accelerate the development of tertiary industry, first of all it is necessary to solve, in theory and understanding, the following three problems:

First, it is necessary to thoroughly eradicate the natural economic outlook of the noncirculation theory of socialism. Old China was an extremely undeveloped semicolonial and semifeudal society of capitalism. Its self-sufficient natural economy carried down over several thousand years has occupied an important place in the economic life of society. Generation after generation of feudal rulers adopted the policy of "stressing agriculture and downgrading commerce," forming a traditional ideology of slighting and looking down on commerce and considering the service trade as "lowly" and beneath people's dignity. Moreover, during the period of the revolutionary base area, the supply system was enforced while after liberation the systems of rations in kind was in vogue for a long time. This caused small producers to frequently psychologically despise the merchants' exploits, to treat and refute socialist commodity circulation, to erroneously interpret socialist economy as a self-sufficient natural economy which abolishes division of work in society, and to take socialist society as a large factory which abolishes commodity circulation and literally is the employer of all the staff members and workers. This confused the functions of exchange and distribution, which are different from each other. The results of the prolonged nonrecognition of socialist economy as a planned commodity economy and refutation of exchange at equal value were that the development of socialist commodity circulation, commerce, and the service trades was greatly restricted; likewise restricted was the development of the departments of tertiary industry which serve commerce and circulation such as communications and transport, currency, trust, insurance, investment, information, and the consultation profession.

The decision of the CPC Central Committee on reform of the economic structure has clearly pointed out that socialist economy is a planned commodity economy. It has provided us with the best theoretical weapon to eradicate the natural economic outlook and also a theoretical basis to go ahead boldly in vigorously developing tertiary industry.

Second, it is necessary to thoroughly refute the erroneous traditional viewpoints of treating service departments as nonproductive departments and labor services as nonproductive labor which does not create value or wealth. These traditional viewpoints have for long formed the major theoretical basis for attaching importance to industry and agriculture and slighting commerce and the service trades.

Looking back at the history of development of human society, it may be found that under the conditions of the natural economy of the serf system and the feudal system, service trades basically consisted of purely consumptive activities in service of the luxurious living of the serf masters and feudal overlords, hence were departments of a nonproductive nature. However, following the development of science and technology, particularly since the emergence of large mechanized industries and a highly developed commodity economy, a fundamental change has taken place in the character of the service trades. They are no longer pure consumption departments basically serving the livelihood of a small number of exploiting individuals, but have become production departments directly serving the departments of primary and secondary industries in undertaking the production of material goods and reproduction of labor force.

Under the conditions of social large-scale production, labor services are also a kind of commodity and also possess value and use value. Marx already discussed this point lucidly a long time ago. He pointed out: "Service is commodity and service has a definite use value (imaginary or real) and a definite exchange value." ("Collected Works of Marx and Engels," Vol 26, p 149) The only difference is that the use value provided by labor services is of a special form, "just like other commodities which also provide a special use value of their own; but the special use value here of this kind of labor has obtained the name 'service' because the labor provided is not a material object but consists of activities." (Ibid., p 435)

Labor mentioned in political economy refers to social labor, that is, labor's social attribute and not labor's natural attribute. Hence as seen by Marx, the definition of productive labor "does not come from labor's material regulated character (not from the character of the products of labor, nor from the innate special character of labor as concrete labor) but is derived from a definite social form and from the social relations borrowed by labor for its realization." (Ibid., p 148) Hence, production labor is not necessarily related to material production. "The material regulated character of labor, and in turn the material regulated character of the labor products themselves, is not related whatsoever with the differentiation between production labor and nonproduction labor." (Ibid., p 150) That is, since the emergence of socialized large-scale production, social production is divided into two large categories: production of material goods and production of nonmaterial goods. Corresponding to this, social production departments are also divided into material production departments and nonmaterial production departments. The former includes departments of primary and secondary industries such as agriculture, industry, building, and mining while the latter comprises the departments of tertiary industry which serve production and livelihood.

Commerce, service trades, communications and transportation trades, and postal and telecommunications, information and advertising, consultation, and currency and insurance departments directly provide labor services to the production of material goods and to the reproduction of labor force. Hence they are all production departments. The laborers of these departments likewise directly create value and use value as well as national wealth and national income. Their labor is production labor. Not only that, but also the labor of the mental and manual workers of departments of culture and education, public health and health protection, science and technology and so forth is likewise production labor serving production and livelihood and serving reproduction of the labor force. Just as Marx pointed out: The labor services of teachers are "for the purposes of making labor capacity possess a specialized character or of maintaining and sustaining labor capacity," the labor services of doctors are "for the maintenance of good health and of the source of all value, that is, labor capacity itself," and "these services should be entered into the production cost or reproduction cost of the labor capacity." ("Collected Works of Marx and Engels," Vol 26, p 159) Thus, although teachers and doctors do not directly take part in the process of material production, their labor services are essential for the nurturing, improving and "restoring" of the labor force and maintaining and expanding the source of value and constitute production labor facilitating the workers to create more and better material goods and nonmaterial goods. This kind of labor, like the labor of scientific and technological personnel, is the "pre-stage or advanced engineering work" of the production process. The labor services of workers of departments of literature, arts, news, broadcasting and television, telephones and telegrams, all constitute productive labor serving the creation of cultural and intellectual goods or serving production and livelihood. The service commodities which they provide for use to satisfy the needs of man's material and cultural lives likewise possess value and use value and their value is also formed by the three portions equivalent to c + v + m, except that the existence form of the value and use value of these service commodities is different from that of material commodities, and is not crystallized in a definite form of material objects but exists in languages, writings, sound or images and exists in service activities.

For a long time, traditional economic theories have believed that labor services can only transfer value, consume value but cannot create value or use value. This is incorrect. If it were true then would it not be tantamount to saying that the greater the development of the labor service economy, the greater would be the consumption of social labor and social wealth and the poorer would society become? This "theory" is basically opposite to the realization of the development of the world's modern economy and hence is erroneous. The objective course of history is that the greater the development of social production and the more modernized the economy, the greater is the proportion of the wealth of society being occupied by nonmaterial use value and labor services; and the higher the people's income level, the greater is the proportion of labor services in the consumption composition of the individual. Development of labor services facilitates economic development and social prosperity.

Marx' scientific theory of value of labor embraces not only the theory that material production labor creates value but also the theory that labor services in nonmaterial production likewise create value. A scientific theory of labor should include "theory of value of labor." In the past, the theory of the value of labor was not recognized and the extensive service departments of nonmaterial production such as culture, education, science, technology, public health, health protection, passenger transport, telephone, advertising and information were all treated as purely consumption departments.

In the periods of the "Great Leap Forward" and the "Cultural Revolution" people went so far as on various occasions to subject these departments to destruction, thereby greatly weakening the foundation of these production departments of a service nature and bringing about a prolonged state of backwardness in tertiary industry. These are the consequences of a one-sided interpretation of Marx' theory of value of labor and the nonrecognition of the "theory of the value of labor." At present, it is necessary to make a big breakthrough in theory and to recognize that the theory of the value of labor embraces the "value of labor" and that labor services likewise create value and use value. Only by so doing can we heighten our regard for tertiary industry and accelerate its development.

The majority of the departments of tertiary industry require little investment, produce quick results, and are a "ready source of money." Some industries and trades, such as education and scientific and technological enterprises, are found to be temporarily requiring investment but not immediately yielding results. They may be taken as "treasure bowl" industries. In today's vast development of socialized large-scale production, science and technology have become the direct productive forces. The creation of a new invention or the adoption of a new technology or artcraft frequently can improve the labor productivity rate by several thousand percent. Educational departments are "processing factories" and "repair shops" for the production and reproduction of labor power. An estimate made through careful calculations by many economists in the country and abroad believes that under modern economic conditions, in the growth rate of the gross value of the GNP, around 40 percent is attained through dependence on improving technology, perfecting management methods and raising the workers' cultural level. During the 11 years from 1960 to 1977 in the Soviet Union, each increase of 1 percent in the workers' cultural level brought about a corresponding increase of 14 percent in the social labor productivity rate. During the 1929 to 1957 period, the benefits reaped by the United States by means of raising the educational level and strengthening scientific research made up roughly 43 percent of the annual growth rate of the national income. Following the development of modern science and technology and the rise in the educational level, labor's content and composition have undergone immense changes and the output value and national income created by tertiary industry have occupied an increasingly large proportion of the GNP and the gross value of the national income. This is an objective law of socioeconomic development.

Third, the biased attitude of taking tertiary industry as equivalent to philanthropic enterprises and welfare enterprises and as forever being a losing proposition must be thoroughly abandoned. Under the conditions of a developed commodity economy, not only are labor services commodities but also knowledge, science, and technology. Hence we must follow the objective demands and laws of the development of commodity economy to organize and manage tertiary industry and let its various sectors take the route of becoming enterprises so that they can carry out their own development.

II

To accelerate the development of tertiary industry, aside from theoretically improving people's understanding and correctly orienting their guiding ideology, it is also necessary to rely on the enforcement of correct policies to create conditions for tertiary industry's development. Based on Beijing's example of accelerating the development of tertiary industry, we make several recommendations as follows:

First, it is necessary to basically change the original policy of Beijing being a key industrial structure which stresses the development of industry and agriculture and an employment structure which principally depends on the industrial departments to provide jobs for employment and to adopt a policy of being an industrial structure which mainly aims at development of tertiary industry and an employment structure which mainly relies on departments of tertiary industry to provide jobs for employment. It is also necessary to change the one-sided viewpoint of purely emphasizing that tertiary industry must serve primary and secondary industries and at the same time to stress that primary and secondary industries should serve tertiary industry. Primary and secondary industries should actively provide agricultural and sideline products, food products, industrial products and various kinds of production and experimental measures for the development of tertiary industry.

Second, in regard to the structure of the ownership system, it is necessary to fundamentally change the prolonged situation of the state unifying the whole universe and of tertiary industry being solely run by the state, and to carry out the guideline of having the state, the collectives, and the individuals simultaneously taking part and large, medium-sized and small enterprises emerging simultaneously. In particular, in regard to commercial units, eating places, repair shops and service trades which principally count on handicraft or manual work, emphasis should be laid on those run by collectives or individuals and on those of medium or small sizes. Actual practice has shown that among the many branches of tertiary industry, those run on a scattered, small-scale and flexible basis can better meet the demands of the consumers than those which are centralized, of large size, and run rigidly and they generally reap high economic results and enjoy fast development.

Third, it is necessary to break the closed-door operation form of small-scale production, open wide the gates of the "imperial palace" to the whole country, and enforce the policy of liberalized operation. Beijing's special position determines that in developing tertiary industry it is necessary to change the traditional operation and management guideline of closing the door to the outside, closing and sealing up the inside, confining operations to designated spots, but allow industries and trades to have separate and special spheres of interest and adopt an opening up policy of being oriented to the whole country and society. It is also necessary to allow and encourage outside provinces and cities and peasants to come to Beijing to establish and run either jointly operated or solely financed enterprise units of tertiary industry and to permit a slated number of foreigners and compatriots of Hong Kong, Macao and Taiwan to operate jointly run or solely financed enterprises of tertiary industry.

Fourth, it is necessary to liberalize the investment policy in regard to departments of tertiary industry. In the current period, in investment, stress should be laid on those departments of tertiary industry which have a direct bearing on the people's livelihood, particularly the four large industries and trades of commerce, services, restaurants and repairs. In addition to the state increasing its investments in these departments, special attention should be paid to vigorously absorbing, through offering preferential terms, investments from residents in the city and city suburbs and from enterprises, organs and individuals in outside provinces. In addition, we must strive to absorb investments from foreigners, Overseas Chinese and compatriots of Hong Kong, Macao and Taiwan.

Fifth, in taxation, it is necessary to enforce special and preferential policies toward the majority of sectors in tertiary industry. In addition to continuing the current practice of exempting cultural, educational, public health, scientific research and recreational enterprises from taxation, within a specified period those industries and trades which have a relatively low profit ratio (such as public transport, repairing trade, barber shops and bathhouses) or enterprises which have newly started business should all enjoy the benefit of a suitable reduction or exemption of taxes.

Sixth, it is necessary to suitably liberalize the policy of commodity price control vis-a-vis departments of tertiary industry. Based on the objective demands of the law of value, we should readjust, in a planned and systematic manner, the prices and standard of collection of fees of the various sectors in tertiary industry. With the exception of commodities and labor which have a relatively strong influence on the people's livelihood and are in short supply and for which the prices and standard of collection of fees should be subjected to the planned control of the state, the prices and standard of collection of fees of other categories of commodities and labor should be determined by the operating units themselves in accordance with the conditions of market supply and demand, or by means of free negotiation of prices between the buyer and the seller. By so doing, it is possible that the prices and fees of certain commodities or services may temporarily be a little higher but in the long run the prices will gradually fall.

Seventh, it is necessary to reform the management structure of the enterprises under the system of ownership by the state in certain sectors of tertiary industry. Large and medium-sized enterprises in commerce and the service trade may carry out collective operation in the form of stock companies owned by the state and thus develop a socialist joint economy. In the stock companies of a joint economy, the original capital of the state may become government shares, the newly absorbed funds paid for shares by enterprises and organs become collective shares and funds paid for shares by individual employees become individual shares. The manager responsibility system under the leadership of a board of directors should be enforced. The board of directors should be elected by an assembly of shareholders, and a board chairman should be appointed, all of which should be reported to the relevant government department for reference. The board of directors should appoint the manager, assistant manager, chief economist and chief statistician. The manager should appoint the company's other management personnel at various levels. Small enterprises in the commercial and service trades and enterprises in the repairing trade may enforce the system of collective renting or hiring and individuals may operate them through contracting. Government departments in charge will not directly manage the company's affairs, but are only responsible for stressing the guidelines and policies, and handle the supervision and inspection work, guide, coordinate and organize economic technological operation which spans several regions and perform such services as providing preproduction and postproduction information and intelligence. Stock companies of the same industry or trade may form their own trade or industry federations while stock companies of different industries or trades may form joint associations or cooperation associations, or even organize various kinds of jointly run and cooperation companies, thus strengthening the companies' internal and external, vertical and horizontal relationships.

Eighth, it is necessary to speed up the training and development of various kinds of specialized technical personnel and operation and management personnel needed by tertiary industry, and to cultivate and develop various kinds of professional and specialized education. In addition to further establishing various kinds of service institutes and professional senior high schools, it is necessary to rapidly establish an all-city institute on service economy. The establishment of a "Beijing city economic research institute on tertiary industry" may well be considered so as to speed up the training and bringing up of middle level and higher level management personnel and specialized technical personnel needed by the various sectors of tertiary industry and strengthen the scientific research work in developing the economy of tertiary industry.

Ninth, in developing tertiary industry, it is necessary to pay close attention to the work of lawyers and the general propagation of legal knowledge. The policies relating to development of the work of legal offices should also be suitably liberalized. The practice of treating lawyers as government workers should be changed and lawyers should be treated as operators of legal offices so as to fully arouse their enthusiasm.

Tenth, it is necessary to formulate a long-term development plan and a development plan in separate stages. There should be overall planning and unified arrangement, which conforms with actual needs and possibilities, for the scale and pace of development, and regional distribution of the various sectors of tertiary industry so as to achieve a planned development.

/6091
CSO: 4006/643

DEMOCRACY, MANAGER RESPONSIBILITY SYSTEM

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 11, 5 Nov 85 pp 40-43

[Article by Huang Yongjing [7806 3057 2417], director of Shenyang Smelting Plant: "Democratic Management Is the Basis of the Factory Director Responsibility System"]

[Text] Since 1980, our plant has carried out an experiment in the implementation of the factory director responsibility system. The experiment has roughly undergone two stages: The first stage was to transform the factory director responsibility system under the leadership of the party committee and the system of employees representative assembly under the leadership of the party committee into the factory director responsibility system and the system of employees representative assembly; while the second stage was to transform, after the promulgation of the "Draft Law of State-Owned Industrial Enterprises," these "two systems" into "one system," namely the factory director responsibility system. The functions of the standing committee of the employees representative assembly, which was a separate institution, are now performed by the trade union committee of our plant. Since then the responsibility and power of the three parties--the party, the management, and the trade union--have been clearly defined: The plant director exercises unified leadership over the production administration and operational management of the whole plant; the party committee's role is supervising and ensuring the implementation by the enterprise of the party's line, principles, and policies; and the employees assembly is the basic form of the implementation of democratic management in the enterprise.

I. Fully Understand the Importance and Necessity of Democratic Management

After the implementation of the factory director responsibility system, the factory director, as the representative or legal person of the enterprise, assumes power over personnel, finance, materials, supply, production and sales, and over other administration work and thus has greater authority than before; he is also assigned overall responsibility for the production and management work of the whole enterprise and thus shoulders a heavier responsibility than before. Under these circumstances, the questions of how a factory director is to correctly treat employees, whether they should act as masters of the enterprise, whether democratic management should play a role, and how he is to rouse the masses of employees to participate in democratic management are all practical problems that a factory director must conscientiously and correctly deal with. My experience over the past few years has enabled me to deeply realize that no matter how the leadership system has changed, we must be firm and persistent in upholding the idea of relying on the masses of employees in satisfactorily running the enterprise. Particularly since the implementation of the factory director responsibility system, factory directors should be more conscious, conscientious, and sincere in rousing the masses of employees to participate in democratic management and regard democratic management as the foundation of the factory responsibility system. This is because:

1. It is an objective requirement resulting from the implementation of the socialist enterprise leadership system with Chinese characteristics. In theory, what we mean by the socialist enterprise leadership system with Chinese characteristics is that it combines the requirements of socialized mass production with the socialist system and the power and authority of enterprise leaders with the position of employees as masters. Socialized mass production requires that in an enterprise, a system must be implemented so that everyone obeys the will of one person. The socialist nature of an enterprise determines that rank-and-file employees are the masters of the enterprise and requires that the will of the enterprise leader represents the will of all the employees. The extent to which employees exercise their democratic power is an important indicator for measuring the perfection of the socialist system. The establishment of the power and authority of the factory director's leadership must be based on the wholehearted support of rank-and-file employees. Therefore, to implement a socialist enterprise leadership system with Chinese characteristics, we must satisfactorily carry out democratic management over our enterprises.

2. It solidly incorporates the party's mass line in our enterprises. The director of a socialist enterprise is the representative of the enterprise as a legal person and is responsible to the state, to the society, and to the enterprise. The relationship between factory director and the masses of employees is not one between employer and employees, but is one of camaraderie between leader and those under his leadership. The difference between the director and the masses of employees is the result of a division of labor. The state expands the power of an enterprise and delegates power to it not only for the factory director as an individual but also for all its employees. Therefore, a factory director must pay close attention to the position of the employees as masters, attach great importance to democratic management, pool the opinions and wisdom of the vast number of employees through diverse forms of democratic management, thus ensuring the accuracy of his policy decisions. It is entirely wrong to think that the reform in our leadership system means that factory directors are superior to the masses and can act arbitrarily in giving orders around and refusing to accept the supervision of the masses.

3. It reliably ensures accuracy in factory directors' policy decisions. The factory director's role is very important in satisfactorily running a factory. Particularly since the implementation of the factory director responsibility system, power over decisions on major issues concerning the production and operation of the factory have been assigned to the factory

director; therefore, his role has become even more prominent. The level of the factory director's competence in making policy decisions directly affects the economic results and development of the factory. But it is impossible for any factory director to be a jack of all trades and an entirely perfect person. We cannot just rely on one person no matter how competent that person is. Take me for example. I have studied metallurgy and know more about it, but I know less about machinery, equipment and welfare related to livelihood. In managing such a large enterprise, major issues in many spheres have to be finally decided by the factory director. The only method for me is to rely on democratic management, pool the intelligence of many people and give play to the talent and wisdom of the masses of employees. Only thus can I ensure that all decisions are correct, thereby enabling the enterprise to prosper. During the 2 or more years as factory director, I have adhered to this principle, and no serious error has ever emerged in major policy decisions in the plant.

4. It is a powerful way to give play to the initiative of the masses of employees. Marxism holds that without certain material interests and political power, no initiative of any class will emerge naturally. Under socialist conditions, material interests and democratic power remain the two basic factors that directly affect the initiative of the masses of employees. My experience tells me that if we fail to perfect the democratic management system of our enterprise and if we fail to ensure the democratic power of employees, talented people who know production technology and administration and management will be suppressed, correct opinions will be rejected, and there will not be prompt feedback of information from various sections. Under these circumstances, the factory director is very likely to become a blind commander who has great willpower but is poorly informed. As a result, he may seriously damage the initiative of the employees. Only by actually ensuring democratic power and making employees really feel that they are the masters can we make them think along the same lines as the factory director and can we give full play to their initiative and creativeness.

II. Support Employees Representative Assemblies in Exercising Their "Five Powers"

Since the implementation of the factory director responsibility system in our plant, the employees representative assembly has ceased to be a policy decisionmaking organ, but has become a basic form of democratic management. As a plant director, however, I should not think that the assembly is something that can be discarded, but should be regarded as an organ by which the masses of employees exercise their democratic management power. In my work, I have paid attention to supporting the assembly in exercising its "five powers." As a result, the masses support the director's policy decisions, obey his directions, support his work and thus provide a reliable basis and guarantee for the factory director responsibility system.

1. Support the employee representative assembly in exercising its power to examine and discuss major issues of the enterprise. Before making decisions on the enterprise's long-term development plan, annual plans, major technological transformation plans and other major issues related to its production,

operation, administration and management, I always persist in delivering the issues to the employees representative assembly for examination and discussion to let the masses of employees take part in making decisions. I have also managed to practice "three initiatives" and "three gives." The three initiatives are: I take initiative to call for a meeting of the employees representative assembly, to deliver to it the documents to be examined and discussed, and to give it a report. The three gives are: Give it materials. In other words, I print up the documents to be discussed and examined and issue them to the members of the assembly so that they will have something to aim at in examining and discussing the documents. I give them time. Generally, the documents to be examined and discussed by the assembly should be sent half a month before the meeting so that the members have sufficient time to consider. I give them answers. In other words, the factory director should give conscientious explanation and answers to the opinions and suggestions made by the assembly. On the basis of the examination and discussion of the employees assembly, the factory director pools the wisdom of the masses of employees and then makes the decisions. This ensures the correctness of his decisions. At the same time, the process of the examination and discussion by the members of the assembly is also a process to mobilize and educate the masses. For example, at the beginning of last year, I put forth three major targets for the production and operation of our plant, namely, 43 million yuan of realized profits for a net increase of 10 million yuan over the year before; an output of 130,000 metric tons of sulphuric acid, setting a record; and ranking first in the nation in quality of our electrolyzed copper after we ranked first in quality of our electrolyzed lead. When these three operational targets were delivered to the employees representative assembly for discussion, some members worried that it was difficult to attain the targets, but most held that our plant was an old enterprise and had to make greater contribution to the state and that although the targets were a little too high, through efforts, they could be attained. They also brought forth quite a few measures and proposals to ensure the attainment. Based on the opinions of the assembly members, we honed our production and operation plans and made a final decision. At the end of the year, these targets were fully reached.

2. Support the employees representative assembly in exercising its "legislative" power over the formulation and implementation of major internal rules and regulations of the enterprise. To ensure its position as master of the masses of employees and to safeguard its legitimate rights and interests, I have delivered to the employees representative assembly for democratic discussion all the major internal rules and regulations of our enterprise including "Factory Director Work Rules," "Employees Award and Punishment Regulations," "Employees Housing Distribution Regulations," and "Employees Children Job Distribution Scheme." Once these rules and regulations are discussed and approved by the assembly, they are of the nature of law in our enterprise, and no one is allowed to violate them. Practice has proved that by exercising its "legislative power," the employees representative assembly fully embodies the will of the masses of employees and guarantees their rights to be masters of the enterprise. By so doing, the factory director is also provided with rules and regulations as a basis for his actions. Backed by the assembly, the factory director can do his work resolutely and smoothly and can solve

many contradictions easily. For example, he now finds it easy to solve thorny problems related to housing distribution and job distribution to workers' children. This can generally satisfy both the trade union and the factory director.

3. Support the employees representative assembly in exercising its power over daily democratic management. This is mainly achieved through the daily activities of the permanent presidium of the assembly, the groups of the representatives of employees and the masses of employees. The daily democratic management of which the assembly takes part is mainly divided into three levels, namely, the factory level, the workshop-section level, and the group and team level. The daily democratic management at factory level means that in directing and making decisions on ordinary daily matters, the factory director not only often contacts the party committee, but also discusses with the permanent presidium of the employees assembly and listens more to the opinions of the many management workers of professional departments and of engineering and technical workers. The daily democratic management at the workshop and section level is mainly realized through the activities of the groups of employee representatives in listening to the work reports of workshop directors and giving the workshops opinions, suggestions and advice. The daily democratic management at the group and team level is realized through workers' management representative in helping team or group leader's work. In addition, I advocate that within the scope allowed by the rules and regulations of the factory, every worker should really become the master of his own post and job and have the greatest possible decisionmaking power to satisfactorily do his work at his post. He should not work only when ordered to. My conviction is that the masses of employees taking part in deciding major issues of the enterprise through their assembly is an important way to ensure their position as masters in their enterprise, but based on the reality at present, this form of democratic management is still restricted by many objective conditions. The democratic power of the masses of employees is still limited. If employees at all posts in the enterprise can be the masters and independently, conscientiously, and creatively work at their posts, then the democratic management of the entire factory and the employees' position as masters can truly be realized.

4. Support the employees representative assembly in exercising its power to supervise administrative cadres at all levels. To put the administrative work and cadres under the supervision of the masses, I have vigorously supported the establishment by the employees representative assembly of the system of masses of employees periodically evaluating cadres. Cadres at factory level are evaluated every 6 months, while cadres at bureau and department level are evaluated every 3 months. A comprehensive evaluation of cadres' work, study and style is required. The good ones are praised and the ones with poor performance are criticized. The evaluation is carried out in the presence or without the presence of the cadres. The representatives of employees are to fill evaluation forms for the cadres and the cadres evaluated have to sign the forms personally. The evaluation forms are to be kept in files and regarded as a basis in evaluating cadres' performance, and in awarding, punishing, appointing, and dismissing cadres. In addition, we have also taken the initiative to ask employee representatives to inspect our

administrative work. In the first half of last year, the production and management committee of the employees assembly investigated the employment of special funds and broached five proposals. Based on these proposals, we have improved our work and thus to some extent conserved funds and lowered costs in our factory.

Administrative cadres take the initiative in accepting the supervision of the masses of employees. On the one hand, this enables them to quickly discover errors and omissions in their work and to promptly correct them; and on the other, it prompts them to improve their work style and party style and strengthens the ties between the cadres and the masses and enhances unity.

5. Support the employees representative assembly in exercising its power of democratic election. A factory director is elected by democratic election of employees representative assembly and appointed by the upper-level responsible organ. This practice has been established ever since our factory carried out the experiment of reform in our leadership system. Our factory spent 4 years implementing reform in its leadership system. During that period, three factory directors were appointed each replacing the preceding one (including me), and they were all elected by the employees representative assembly through democratic election and appointed by the responsible department. I think that a director of an enterprise owned by the state must have dual status: He not only manages the enterprise on behalf of the state, but also represents the legal person of the enterprise; and he not only safeguards the interests of the state, but also safeguards the interests of the enterprise and its employees. Based on this understanding, it is necessary for a factory director to be democratically elected by the employees representative assembly and then appointed by the responsible organ. It is also possible to do this based on the practice of our factory over the past few years. This practice is conducive to enhancing the prestige of the factory director, and strengthening his mass foundation. It is also conducive to heightening the employees' position as masters and their sense of responsibility as masters. In addition, it is conducive to continuing to correct cadres' style and heightening their sense of mass line. However, we should not fail to see that the employees representative assembly format in electing factory director also has its limitation, because most of the employees' representatives come from the grass-root levels of the enterprise and they are not familiar with the overall management of the enterprise or with the candidates for factory director. Even if this form of democratic election is adopted, in a certain sense, it sometimes is indeed not able to reflect the will of the voters. For a factory like my factory which has a vital bearing on state plans and people's livelihood, which is an enterprise owned by the state that employs over 10,000 persons and for which 80 percent of the targets are assigned by state command plans, the method of its operation is in the main still the method of "being owned by the state and managed by the state." For an enterprise of this category, the factory director had best be appointed by the state and then confirmed by the employees representative assembly after he has worked for some time in the enterprise. This will better meet the desire of the masses of employees, the requirements of the four modernizations, and the needs of the enterprise,

and facilitate taking into overall account of the interests of the state, the enterprise and its employees. I should particularly stress here that before appointing a factory director, the state must widely solicit the opinions of relevant departments and of the masses of employees, repeatedly consult with them, and thus enable the director it appointed to have a relatively solid, deep-seated mass foundation. The procedure that the factory director be confirmed by the employees representative assembly after he has worked for some time is also very important and we should not regard it as a mere formality. Because democratic centralism is an organizational principle of our party and state, whether or not our employees' representatives can vote to take part in deciding their leader not only shows whether our country's democratic life is sound and healthy, but also fully reflects the position of employees of the enterprise as its masters. Therefore, there is a difference between having and not having the election. As for other administrative cadres at various levels (including deputy factory directors), I hold that they are nominated by the factory director and then approved by the assembly or the grass-root level groups of employees' representatives. A factory is a complete production unit. If the cadres at each level are elected, it may hinder the factory director's efforts to establish a centralized and unified production and management command system with flexible commands and high efficiency.

III. Adopt Diverse Forms and Broadly Rouse the Masses of Employees To Participate in Democratic Management

In addition to fully utilizing the employees representative assembly as a basic form of democratic management, I think that we should also adopt many other kinds of effective forms to widely rouse the masses of employees to take part in democratic management. Through diverse forms and ways, we should collect the wisdom of our employees, understand their ideological trends, desires and demands. This is very important in satisfactorily running an enterprise. Over the past few years, we have adopted the following forms:

1. We have supported the employees' representatives in putting forward motions. Whenever a motion is put forward by them, I personally examine and read it and satisfactorily deal with it. In 1984 alone, they put forward 119 motions. Among them, 26 were accepted and 24, or 92 percent, have been carried out. They have conserved and created over 1 million yuan. Therefore, I decided to allocate 1,000 yuan to award those who put forward the motions.

2. We have satisfactorily held factory affairs meetings. In our plant, these meetings are an advisory means for the factory director. Before handling some important daily affairs and making policy decisions, I always persist in holding these meetings for discussions, widely soliciting opinions and weighing advantages and disadvantages. By making decisions on this basis, the quality of the decisions of the factory director has been vastly improved. In addition to members of the factory administrative leading group, I invite the party committee secretary, the trade union chairman, leaders of relevant offices and workshops, and professional workers of relevant departments to attend factory affairs meetings.

3. We have supported the trade union in organizing employees to put forward rationalization proposals. Over the past 3 years, the masses of employees have put forward 1,048 rationalization proposals, of which 566 have been carried out to conserve and create a value of 4.7 million yuan. The proposal put forward by the three workers in the technology transformation planning group alone has conserved 1.4 million yuan. I decided to award them 1,000 yuan to encourage them.

4. We have strengthened the organization of teams and groups. The workers' management representative system has been set up in all our teams and groups, the duties of the representatives have been clarified and the team and group responsibility system has been established to improve the quality of employees. This work is checked and accepted by stages and in groups in accordance with the standards of the "six-good" team and group.

5. We have established the system of "factory leadership reception day." We have formally fixed the fifth day of each month as the factory leadership reception day. On this day, the factory leadership stops all its other work to specially give interviews to employees to personally get to know their opinions and demands and promptly handle any problem discovered.

The practice of my more than 2 years as factory director has made me realize that democratic management is the foundation for the factory director responsibility system. To satisfactorily run a socialist enterprise, it is not only necessary to have a shrewd and competent factory director who excels at making decisions, but also to have employees participate in democratic management. Only by respecting the employees' position as masters and giving full play to their initiative, consciousness, and creativeness can our enterprise forever have vigor and vitality.

/6091
CSO: 4006/641

ECONOMIC MANAGEMENT

COMPREHENSIVE USE OF ECONOMIC LEVERS EXPLORED

Taiyuan JISHU JINGJI YU GUANLI YANJIU [THE STUDY OF TECHNO-ECONOMICS AND MANAGEMENT] in Chinese No 5, 85 pp 14-17

[Article by Lu Ying [0712 4481] and Hu Jingshan [5170 2529 0810]: "Exploring the Problem of the Comprehensive Use of Economic Levers"]

[Text] The comprehensive use of economic levers is required to develop the national economy in a planned and proportional way and is also a major postmicroeconomic invigoration task facing macroeconomic regulation and control.

I

Economic levers are exchange and distribution tools used by the state to regulate economic activity and economic relations, a major means used by the state to organize and manage the economy, and also an integral part of the socialist economic mechanism. They principally include prices, taxes, credit, wages and subsidies. Their comprehensive use is of major theoretical and practical significance under China's socialist conditions.

1. The Comprehensive Use of Economic Levers Is an Objective Requirement for Developing a Planned Commodity Economy Conforming to Socialist Economic Laws.

A planned commodity economy are unified and not mutually exclusive or antagonistic. Thus, the law of value must play a role in China's economic life, and a penalty would be paid for violating it. The several major economic construction ups and downs since the founding of the PRC have all illustrated this problem. The law of value plays a spontaneous regulatory role in capitalist countries. The advantage of China's planned economy is that we can use our subjective initiative to consciously use the law of value. The state's control of all economic levers and its use of policies, laws, and decrees to implement them is a specific expression of its use of the law of value. Thus, the use of economic levers is an active reflection of objective economic laws and the result of the objective being translated into the subjective. Success or failure in the use of economic levers reflects the degree of identification between the subjective and the objective, i.e., the degree of understanding of the law of value.

In addition to the law of value, objective economic laws which play a role under China's socialist conditions also include basic economic law, the law of planned and proportional national economic development, the law of material interests, the law of distribution according to work and the law that production relations must adapt to the development of productive forces. These economic laws form China's socialist economic legal system. Indeed, all use of economic levers must obey basic socialist economic laws and adhere to the law of value, but it is reflected particularly in specific economic laws. For instance, prices are reflected most sensitively in the law of value, taxes are expressed quite clearly in the law of material interests, and wages are directly reflected in the law of distribution according to work. In economic activity, no economic laws are isolated, but all are related to, restrict, and affect each other. Thus, all economic levers must also be used comprehensively, otherwise, the socialist economic legal system will be disrupted, the role of all economic levers will be unable to develop well, and socialist commodity production will also be obstructed.

2. Fulfillment of State Plans Is Inseparable from the Use of Economic Levers.

Production relations suited to the present level of China's productive forces are still reflected as, and exist side by side with, the diversified economy component. State enterprise production management is of a fairly independent character. This has divided planned decisionmaking into the diverse decisionmaking levels of central, local, and enterprise, and planned management into the three forms of directive planning, guidance planning, and market regulation. The diverse decisionmaking levels and planning forms require that plan implementation measures also be coordinated appropriately. We admittedly must pay attention to the coordinated use of such means as administrative measures, legal measures, material strength measures, and economic levers to manage China's economy. But how economic levers are used plays a decisive role in overall economic management success or failure. From a planned management perspective, directive planning products must be realized ultimately through markets. Thus, scientific directive plans must be worked out through people's market commodity demands and predict the degree of supply needed to satisfy demand, the supply-production capacity, the demand-consumption structure, and fluctuation trends. In implementation, directive planning must also similarly use economic levers and regulate the economic interests of producers and consumers, in order to strengthen the enthusiasm and consciousness of both sides in implementing plans. Otherwise, directive plans would be hard to realize. In the future, guidance planning will become the major form of planned management and, along with overall reform of the economic system, its scope will grow larger. Since guidance plans are not compulsory, relying on noneconomic measures to implement them would not do, and enterprises can only be spurred to fulfill them through the guidance of economic levers. Although market regulation is not planned by the state, it is indeed not excluded totally from state plans and still involves a "cage" and "bird" relationship. In other words, it must be controlled macroeconomically through economic-interest relations, i.e., through regulation by economic levers, enabling this decentralized and free economic activity to conform to state planning requirements, too. To sum up in a word, there could be no planning per se, and state plans could not be fulfilled, without the use of economic levers.

3. The Comprehensive Use of Economic Levers Is an Important Way To Do a God Job of Macroeconomic Regulation and Control. Improving enterprise vitality is a key link in China's economic system reform, and a planned commodity economy requires that enterprises still be controlled macroeconomically after they are invigorated. Moreover, the more enterprises are invigorated, the more macroeconomic regulation and control must be stressed. China's excessive growth of consumption funds fixed-asset investment, credit provision, and currency circulation, and our sharp decline in foreign exchange balance at the end of 1984 have warned us even more profoundly that we can neither, as in the past, rely on administrative orders alone to require enterprise decisionmaking to be subordinate to state decisionmaking, nor can we simply carry out all our microeconomic decisionmaking authority in an overcomprehensive way. Only by using economic levers which link state and enterprise interests can the interests of both be handled properly. Through the use of all economic levers, we can do such things as macroeconomically regulate relations between the state, collectives, and individuals, control proportional relations in major national economic development, and control and guide use of consumption funds and stability of market prices. The use of all economic levers will microeconomically affect enterprise success or failure directly and guide enterprises to change from stressing their own interests to planning such economic activity as production management and investment decisionmaking, making such activity subordinate to macroeconomic decisionmaking. Thus, integrating and coordinating macro- and microeconomic decisionmaking, enabling macroeconomic decisionmaking to better serve microeconomic invigoration, and microeconomic decisionmaking to be consciously subordinate to overall macroeconomic balance, must be adied by regulation of economic levers, otherwise, the situation of "overunification or overliberalization" may reappear.

II

A full understanding of the importance of the comprehensive use of economic levers is admittedly essential, but how to use them is even more important. At present, we cannot merely discuss the problem of whether to use them, or stop at summarizing past experience and lessons, but, based on this experience, we should explore appropriate ways to use economic levers comprehensively. Thus, we think the following problems should be stressed and mastered.

1. The Relationship Between Means and Ends Should Be Handled Well, and Consistency Between the Use of Economic Levers and the Coordination of State Plan Targets Should Be Ensured.

Economic levers are merely means, and consistency with national economic planning targets must be maintained in their specific use. Certain problems which have appeared in our use of economic levers over the past few years have often been caused by inconsistent planned target coordination. For instance, the scope of capital construction has been controlled, yet has been out of control, year after year. The major cause is increased extra-budgetary fund projects, but runaway bank loans are also an important factor. The key to the problem is not that there have been too many bank loans per se, but that the use of the credit lever has been uncoordinated and inconsistent with state capital construction plan targets, thus causing conflicts between them.

2. Development of the Respective Functions of Economic Levers Should Be Stressed.

There are limits in realizing the functions and developing the roles of all economic levers. Prices are used principally to express commodity value and carry out exchange, i.e., to regulate supply and demand and carry out economic accounting; taxes are the major means of distributing national income and are used to regulate enterprise income distribution and ensure state revenue; through loan amounts and interest rates, credit raises and distributes social funds and promotes production development; wages are used principally to link enterprise and producer interests, to correctly handle relations between the state, enterprises, and producers and, moreover, to control consumption funds; subsidies are used to support low prices of products in urgent need of development and developing products, and to make up consumer differences due to actual wage decreases resulting from price regulation. Our past misunderstanding of the respective functions and roles of economic levers, and not regulating and correcting them, resulted in difficulties in their respective use. For instance, we one-sidedly stressed the accounting and distribution functions of prices, striving to stabilize prices in order to facilitate accounting. Setting procurement prices of primary agricultural products very low was regarded as a way to increase revenue; moreover, very low, fixed consumption prices, creating purchase and sale inconsistencies, were subsidized through public finance. Consequently, low-priced procurement limited production, and low-priced marketing also caused serious waste and unhealthy circulation tendencies. To a great extent, this was caused by using the price lever as the tax lever, not only causing the tax lever to be underdeveloped, but also destroying the function of the price lever. The comprehensive use of economic levers requires a rational division of labor between them and not a mutual substitution. They should be allowed to attend to their own duties and develop their respective functions and roles.

3. The Coordination and Use of All Economic Levers Should Be Focused on Fixed Targets.

Economic levers move in a general national economic system which has intricate internal relations. A lever can only regulate one aspect of the economy. Moreover, its regulation quality and range are limited and it sometimes also has a negative role. Thus, it can be said that if any lever is uncoordinated with other levers, none of its roles can be developed well. We neglected coordination in the past, causing development of the roles of all economic levers to be limited specifically and even to impede each other. For instance, small breweries rushed to open in some areas for a period of time. In order to restrict their unchecked construction and production, we restricted bank loans for them. But we still calculated and collected income taxes from them based on the 20 percent rural township enterprise tax rate, and did not restrict them based on the high, eight-grade, above-quota progressive tax rate. This admittedly involved the tax system of that time. But in this case, taxes played a development-promotion role, which conflicted with the method of restricting bank loans. Such "conflicting regulation" is precisely the use of economic levers which must be avoided. Thus, while stressing good development of the functions and roles of all economic levers, we should also choose the appropriate one, and use primary and secondary ones in coordination. Once again, prices and taxes can both regulate production. But using the price lever alone may cause high prices which limit consumption, encouraging unchecked production; low prices which encourage consumption may also cause contradictions which effect production enthusiasm. This requires that the price lever be regulated in coordination with such levers as taxes. The price lever can raise the production tax rate of these products, and the tax lever should reduce their taxes and give favorable terms.

4. Quantitative Mastery Must Be Stressed.

As important measures in the system of economic regulation, all economic levers are market-mechanism parameters. These parameters directly affect the operation of market mechanisms, the planning mechanism, and even the overall economic mechanism. If they are irrational, they not only will disrupt the market mechanism, but also will conflict with the planning mechanism and ultimately cause the operation of the overall to be unhealthy, affecting the healthy development of the national economy. Thus, in addition to the proper and relevant state economic policies and essential administrative measures, the comprehensive use of all economic levers must also be appropriate quantitatively. Quantitative limits, such as price, tax, and interest rate limits, and loan and bonus amounts, must be mastered. Our use of economic levers over the past few years has often not stressed quantitative research. Prices had to be raised somewhat once the raising of prices was mentioned, bonuses and subsidies had to be broadened somewhat once they were mentioned and somewhat more bonuses had to be issued once, the issuing of bonuses was mentioned, resulting in many unhealthy consequences. Although price subsidies for agricultural sideline products have played an important role over the past few years in ensuring the people's standard of living and maintaining social stability, excessive price rises have caused heavy burdens for national finance. Moreover, they have also affected commodity price relations and definitely affected the national economy. Also, excessive wage provision and runaway consumption funds have caused much market pressure. These examples all show the importance of mastering quantitative limits in our comprehensive use of economic levers.

5. Relations Between Stability and Flexibility and Between Centralization and Decentralization Should Be Handled Well.

First, relations between stability and flexibility should be handled well. In other words, the use of most economic levers and the formulation of economic policy should be relatively stable for a specific period, in order to create normal and stable economic conditions and allow localities and enterprises to make decisions in a planned way. For instance, after being rationally adjusted, such things as the prices of major products of importance to the national economy, the basic tax system, and the basic wage system should be relatively stable. But stability is relative and, due to economic development needs, the use of economic levers should also be adjusted flexibly. For instance, such things as specific tax category collection, forgiveness, and tax rate fluctuation, and credit interest rates, should be quite flexible and readjustable at any time according to economic fluctuations. Second, relations between centralization and decentralization should be handled well. Major economic policies and measures must be carried out through centralized, unified leadership in order to prevent diverse administration, each going his own way, and vertical inconsistencies and horizontal imbalances. Thus, the state should carry out centralized management of such things as prices of major product and the principles of basic tax rates and the credit system. But the management conditions of all areas, departments, enterprises, and products are different, and their economic development is also imbalanced. Therefore, premised on unified leadership, there should also be more flexibility and less "stereotyping", in order to give localities, departments, and enterprises appropriate maneuverability. In prices, for instance, areas and enterprises should have the authority to regulate seasonal commodity price differences based on seasonal fluctuations, the authority to regulate qualitative price differences based on the principle of preferential prices for high quality, and the authority to flexibly regulate market prices within stipulated limits based on market demand. In the area of reducing taxes, tax laws can be the stipulated principle, while specific implementation can be the stipulated principle, while specific implementation can be flexibly controlled at the basic level.

III

In order to improve the comprehensive use of all economic levers, work in the following areas should now be done well.

1. Based on the Classified Management Principle, Jurisdiction of Economic Level Management Should Be Properly Divided.

The jurisdiction of the Central Committee, provinces, localities, and counties must be clarified. We think that management jurisdiction should be divided according to the principle of guidance planning, i.e., management jurisdiction of guidance planning targets which must be balanced throughout China should be centralized in the Central Committee, and those, which only have to be balanced in one province or locality should be allowed to be fulfilled by the province or locality should be allowed to be fulfilled by the province or locality, which can regulate and use all economic levers for a specific period and to a specific extent.

2. Economic Regulation Organizations Should Be Established as Soon as Possible.

Recently, the State Council established an "Economic Regulation Office," and the State Planning Commission also set up an "Economic Regulation Bureau." The State Council has decided that planning commissions will be involved in the coordination work of the comprehensive use of economic levers. At present, local coordination organizations at all levels are still testing and exploring. In order to enable the work of the comprehensive use of economic levers to be truly carried out in fact, we think that local economic regulation organizations must also be led directly by governments at all levels, involve planning departments, strengthen contacts with all departments having economic-lever functions, such as public finance, banking, pricing, labor, goods and materials, industrial and commercial, and statistics, and use such forms as the joint office conference system or trade classification to strengthen macroeconomic control. This organization will be principally responsible for formulating relevant policies, laws, and measures for the comprehensive use of economic levers throughout the province, formulating plans for use of economic levers, conducting periodic research on major problems which arise in the use of economic levers and unifying work on coordination and use of economic levers. Moreover, it should also carry out a major reorganization of internal planning commission organizations, appropriately reduce the number of special offices and strengthen and replenish comprehensive organizations. It must especially establish economic-regulation organizations to be responsible for routine work in coordination of economic levers.

3. A Strong Information System Should Be Established.

Economic information and predictions are the basis for using economic levers. Effective information and accurate predictions enable economic information and prediction work, a very good information system must be established. Provincial information centers should be set up in planning departments which are responsible for coordination and use of economic levers, forming a network joining departments, bureaus, localities (cities), counties and enterprises, and enabling information collection and feedback systems to be perfected. Moreover, microcomputers should be popularized as soon as possible in order to improve information processing, detection, and search quality and transmission speed.

4. Planned Targets and Plans for Use of Economic Levers Should Be Issued Simultaneously.

When formulating plans in the future, planning departments should be closely integrated with the coordinated use of economic levers. When issuing planned targets to basic-level enterprises, planning departments must simultaneously announce and issue plans for use of economic levers within their respective jurisdiction, and put the timely and appropriate use of economic levers in an equal position with the formulation of plans. This will enable enterprises to know as soon as possible the state's intentions and the effect of its use of economic levers on their economic interests, enable their production management activity and decisionmaking to be consciously brought into line with state plans and thus, enable their decisionmaking to be based on such things as their own funds, equipment, and technology.

5. A Sound Economic Supervision System Should Be Established

Economic supervision implies economic management and is found wherever the latter is found. The use of economic levers is inseparable from economic supervision. In order to ensure the implementation of all economic levers, the establishment of a sound economic supervision system must be an urgent problem.

6. Ideological Transformation Should Be Stressed, and Cadre Quality Improved

Success or failure of the people using them. Thus, departments and concerned leading comrades that use economic levers must gradually transfer their ideological emphasis from the use of administrative measures to the use of economic ones. Moreover, they must also stress improvement of cadre quality, in order to gradually raise standards in the use of economic levers and adapt to economic work needs under new conditions.

12267/9435
CSO: 4006/492

OBSTACLES HINDERING SHANGHAI'S ECONOMIC DEVELOPMENT

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC REPORTER] in Chinese 21 Oct 85 p 5

[Article by Shu Hanzheng [5289 3352 6927]: "Some Obstacles to Shanghai's Becoming an Economic Center"]

[Text] [Summary] One of the obstacles is the serious backwardness of the city's public utilities. In addition to inherent insufficiencies, there are manmade dislocations. But instead of proceeding from the social benefits that ought to result from public utilities, present policies emphasize the "equality" of all industrial enterprises, and "milk" them, demanding as much profit as possible. This has lead to strenuous efforts by public utility units to cut spending, and has made it impossible to make innovations and gain maximum social results. [End of summary]

The daily increasing contradiction between the backwardness of Shanghai's public utilities (mainly public transportation, gas and water), and the economic development strategies of the city as a whole has been a growing cause of concern. In regard to this problem, this reporter recently visited the Municipal Public Utilities Bureau and the relevant departments of the city government, learned about quite a few noteworthy situations and heard a number of thought-provoking views.

After more than 30 years of development, Shanghai's public utility units have a total of 85,000 staff and workers, 271 public transportation routes and a peak daily passenger capacity of 15 million people. Maximum daily supply of water is 3.9 million tons, while the daily maximum supply of gas is 3.56 million cubic meters.

"Walking the Tightrope" of Oversaturation

The long-term tendency to neglect basic urban facilities has been very detrimental to public utilities, has created serious deficiencies in Shanghai's public utility system and has led to shortages in supply that have not been able to be resolved for some time.

Public transport: the increase in carrying capacity of public transportation has been smaller than the increase in ridership. The average yearly increase in passenger flow has been 10 to 12 percent, while the public transportation carrying capacity has increased usually by 8 to 9 percent. There are 43 routes within city districts, and during peak hours there are over 11 passengers per square meter. During off-peak hours, there are 30 routes for which there are over 7 passengers per square meter. In addition, the winter-time peak period has developed into a yearround phenomenon, while morning and evening rush hour crowds now are becoming day-long crowds.

Gas: Only 52 percent of the city's total population has gas at home or at work. Many units cannot install and utilize new advanced equipment on time due to gas shortages. By making full use of existing potential, the Wusong and Yangpu Gas companies have increased output from the daily 120,000 cubic meters right after liberation to 810,000 and 780,000 cubic meters, respectively. However, existing facilities have already been exploited to the maximum and cannot tolerate any further expansion of "potential."

Water: The average daily supply capacity for running water is 3.9 million tons, while peak daily consumption of water this summer (limited by conservation measures), exceeded 4.2 million tons. Water pressure and quality in quite a few districts were low. Water control facilities are often worked beyond the saturation point, and the "tired" look of late-delivered water has been referred to as "walking the tightrope."

"Squeezed-out Profits"

There are, of course, various complex factors that have created this situation, but the most important is that present policies do not proceed from the social benefits that ought to stem from public utilities, but rather stress the "equality" of all industrial enterprises, and "milk" as much profit as possible from them. This has created contradictions between service principles and unit profit, and between social benefits and economic results. If more buses were provided crowding would be reduced, but enterprise revenue would not increase while costs would grow greatly. This would be reflected in enterprise economic effectiveness as a fall in profits. Because of last year's creation, extension and adjustment of 28 routes, the public transportation company loses approximately 4.5 million yuan per year.

The nearly 70 million yuan in tax revenue handed in to the state by the public transportation company last year under extremely crowded conditions has been ironically referred to by passengers as "squeezed-out profit." However this kind of profit cannot last. From 1980 to 1984, for example, total public transportation mileage traveled increased 28 percent, but average per capita profit decreased 9.5 percent. The financial loss per cubic meter for public gas use was more than 24 yuan; the total figure for last year reached 6.33 million yuan. In order to meet the goal set by the city government to increase the number of gas users to 60,000 households one of the government's "15 big tasks", gas company losses will increase each year by 530,000 yuan. Current economic policy stipulates that the more profit public utilities and industrial enterprises make, the more returns workers will receive, which must be considered a profound contradiction. The crux of the contradiction is that in encouraging public utilities to make more money, social benefits should also be emphasized.

"To Pulling the Wagon or Milking the Cow"

Quite a few experts abroad have studied the relationship between the amount of time employees use going to and from work and productivity. Soviet specialists believe that for every excess 10 minutes workers use in going to work, their productivity will be reduced by approximately 1.5 to 4 percent due to exhaustion. After investigating, some Japanese have come to the conclusion that for every hour a worker stands in a full bus or train (not yet overcrowded), he expends the equivalent in calories of approximately 1 day of labor. Using these types of calculations how many more losses are being incurred every month and every year in Shanghai?

Gas enables each residential household to save approximately 730 hours of housework per year, for a savings of coal of 0.77 tons. Serious problems are caused by poor-quality running water. Due to the absorption of sea water from the winter of 1978 to the spring of 1979 and an excessively high amount of chloride in the city's water supply, industry in Shanghai lost 14 million yuan.

It would be truly difficult to calculate the amount of direct and indirect losses to economic development and the people's living standards caused by the backwardness of Shanghai's public utilities, but the facts make it increasingly clear that public utilities should be more like a horse pulling the wagon of the city, rather than a sick cow that has been milked dry.

Give Priority to Developing Public Utilities

1. More importance should be attached to public utilities. Given the limited amount of state funds available at present, preferential consideration should be given to investment in public utilities. Relevant regulations should be designed to ensure their rightful place in the development of the city's economy.

2. "Let public utilities support themselves." In light of the function of public utilities in serving society and their inability to increase profits at the same time, policies should encourage the utilities to maximize social benefits. Their tax revenues and retained profits should be differentiated from those of industrial enterprises, and should be primarily linked up with social benefits provided.

3. Some practical measures in Shanghai have to catch up with the times. For example, after implementing the CPC Central Committee rule stopping any price changes for monthly tickets in Beijing, Tianjin and Shanghai, both Beijing and Tianjin began offering financial subsidies, while to this day, Shanghai has done nothing. As for the fuel problem, when oil use exceeds the 1982 base figures, negotiated prices are used. With the continued development of public transportation, if this persists, the burden will be unbearable.

4. The overall resolution of problems, dealing with both cause and symptom. Problems regarding such things as the streets, bus stops and traffic management can only be resolved by exerting a determined effort. We cannot expect that things will always clear up by fiddling a bit with the winter-time peak

passenger problem, or the water supply problem during summer peak usage, or by calling for reduced gas usage during shortages. This is "just getting by every year by complaining during times of peak usage."

While reviewing the Shanghai work report, Premier Zhao suggested that we study the possibility of Shanghai becoming an economic center and the obstacles hindering it. Changing the backwardness of Shanghai's public utilities is without doubt, an important and urgent task in the overcoming of those obstacles.

12221/13045
CSO: 4006/457

SHENZHEN PRICE REFORM STRATEGY DISCUSSED

Guangzhou NANFANG JINGJI [SOUTH CHINA'S ECONOMY] in Chinese No 3, Jun 85
pp 26-30

[Article by Huang Zanqiang [7806 6363 1730]: "Price Reform Has Vitalized the Shenzhen Market"]

[Text] Like the rest of the nation, the Shenzhen Special Economic Zone [SEZ] for years enforced such stringent price control that the prices of many commodities were far removed from value, production was impeded and circulation blocked.

After 2 years of preparations and 4 years of reform, Shenzhen so far has basically resolved the price problems it inherited from history. Because it had a clear guiding ideology and went about reform in a sure and steady manner, the reform program has been fairly successful. Anyone who has been to Shenzhen notices the vitality, dynamism and prosperity which prevail in the zone at present.

I. Price Reform Is Inevitable

Formerly a small border town with 20,000 people, Shenzhen became a municipality in March 1979, followed by the establishment of the special economic zone as an experiment in August 1980. In Shenzhen's early municipal days, more than 100,000 laborers poured into its various construction sites within a short time, market demand shot up, and supply-demand gaps widened considerably. In particularly short supply were non-staple foodstuffs and building materials. Few commodities had list prices while a large number had market prices. All this and the influence of the Hong Kong market sent Shenzhen commodity prices soaring. The cost of living index, for instance, rose 26 percent in 1979 compared to 1978 and jumped another 22 percent in 1980. As large-scale construction projects gradually got underway, building materials became scarce. Even as the demand for cement climbed from 20,000 tons to 900,000 tons, however, the buying and selling of the commodity remained a monopoly. Moreover, it was distributed in accordance with Bao'an County's original targets. Since the ratio of demand to distribution was roughly 10 to 1, the progress of large construction projects was seriously affected. At the time, market prices were characterized by confusion, with the prices of many commodities reflecting neither value nor the supply-demand relations. The most glaring manifestations of price confusion were that the prices of some commodities were unreasonable relative to those of others, price differences were negligible, and good-quality products commanded the same prices as their inferior counterparts. To illustrate, the list price of 100 jin of rice was 11.5 yuan, while that of one cubic meter of stone was 23 yuan. In other words, 1 jin of rice can fetch just 5 jin of stone, and 150 jin of rice only a grade-A cigarette. Agricultural products were underpriced and peasants suffered. The procurement and selling prices of many agricultural sideline products bore no relationship to each other and differences were written off as a policy-induced loss. Suppose every resident was to be provided with 100 jin of rice. If the rice involved was purchased at a normal price, the gap amounted to 13.32 yuan. If the rice was purchased at above procurement prices or at negotiated prices, the differences would be 21.87 yuan and 25.82 yuan respectively. The average deficit for these three varieties of grains was 17.97 yuan per 100 jin. Government subsidies on grain alone amounted to 9.5 million yuan a year, while vegetable subsidies absorbed another 1.28 million yuan. These subsidies constituted a heavy financial burden on the treasury. Had the price control system been allowed to continue, we would not have been able to use prices as a mechanism to regulate the market, the initiative of localities and enterprises would remain suppressed, and the development of the commodity economy would have been hindered. Hence the inevitability of price reform.

II. The Guiding Ideology and Principles of Reform

Reform was guided by the idea that realities, not theoretical concepts, should be our point of departure at all times. With a socialist market behind and the international market in front, Shenzhen is sandwiched between the hinterland and Hong Kong. Separated from the New Territories only by a bridge, Shenzhen maintains frequent human contacts and intimate economic relations with Hong Kong and is often susceptible to influences from the Hong Kong market as far as prices are concerned. Since Shenzhen is situated at the meeting point of two social systems and two price systems, reform must take into account all these characteristics and adhere to the following principles: adjust unreasonable price ratios systematically and gradually, based on the objective demands of the law of value, by observing the principle of exchange of equal value and following supply-demand changes in the market; and bring to an end discrepancies between the procurement and selling prices of agricultural sideline products, and relate prices to wages. Those principles must be achieved in a way which takes into consideration both the financial capability of the government and the people's ability to pay. Price reform must not come at the expense of living standards. Instead it should be accomplished gradually on the strength of production growth. The basic principle of price adjustment is to do whatever is reasonable. When we say reform, it certainly does not mean that everything must be overhauled at the same time. We differentiated between different commodities, sought truth from facts and made detailed analyses. We raised prices where they should be raised and lowered them where they should be lowered, avoiding chain reactions and sequential price hikes. The demand of reform is to do everything possible to achieve price stability. We correctly dealt with Shenzhen's price relations with Hong Kong and the interior, bearing in mind its special position and other characteristics. We rationalized Shenzhen's prices with regard to those in Hong Kong and the interior by following the rule that industrial products are more expensive in the zone than in Hong Kong and less expensive than in the interior, while the reverse is true for agricultural sideline products. With that as our basis, we gradually and in a qualified way pegged our prices to international prices, depending on the circumstances of the commodity in question.

III. The Steps and Methods of Reform

As price reform impacts the entire national economy and affects countless households, an enthusiastic but cautious attitude is called for. We opposed conservatism and passivity and overcame the force of habit. We were fearless and had the courage to innovate and reform boldly. Under the overall planning of the SEZ party committee and capable leadership, we went about reforming the price system in an organized, systematic way. After studies and analyses, we separated commodity prices into different categories according to the seriousness of the historical problems inherited, the extent of irrationality, and degree of urgency and importance. In the spirit of tackling the straightforward first and then the more complicated, we began by zeroing in on small commodities, common agricultural products, articles of daily use and commodities in short supply, reserving for later action key materials, industrial products of daily use, rationed goods and other products where supply equaled demand. A comprehensive plan was devised and the reform proceeded in stages.

Price reform requires the existence of certain conditions. Only by seizing the right moment and making the best use of the situation can one reap the expected benefits. It was not until after 2 years' in-depth studies and repeated comparisons that we shifted our focus to experimental reforms. The entire reform program can roughly be divided into three stages: experimental reform, limited reform, and wholesale reform. During the stage of experimental reform, pilot projects were carried out and piecemeal changes affecting a handful of commodities were made within a small area. In thus tinkering with the system, the reformers in most cases were acting rationally but illegally, and changes were made in a quiet, discreet manner. During the stage of limited reform, reforms were introduced in certain sectors, commodities, trades and industries. They were praised by some people and opposed by others. Some of the changes were both rational and legal, while others were rational but not legal. Wholesale reform means taking a big step forward by making changes across the board. The rationed supply of grain, etc., at list prices on the production of a coupon was abolished and the dissociation between procurement and selling prices was eliminated. These reforms were both rational and legal, and since they were popular among the people and had the support of the higher authorities, we gave them widespread publicity and carried them out confidently, knowing that we were doing the right thing.

The three stages of price reform were:

Stage 1, 1981-1982: The emphasis was on experimental reform. We took one step at a time and made changes along the way. Whatever worked was popularized; whatever produced no clear gains was reviewed and gradually perfected.

First, we conducted pilot projects in the three major commodity categories of vegetables, aquatic products and food, where supply always fell short of demand.

1. Decontrolling prices. In the broad category of fruits and vegetables, we regulated the prices of vegetables while lifting price control on fruits. Fresh produce was controlled while dried goods were not. Among fresh vegetables, we controlled only hardy ones and excluded their finer counterparts. Even the number of controlled hardy vegetables was slowly reduced, from 72 to 27 in 1981 and 18 in 1982.

In the category of aquatic products, marine fish were controlled but not freshwater fish. Among the former, price control extended only to high- and medium-grade fish, while inferior low-grade fish were excluded. In the meat category, fresh and cured pork were controlled; stewed and frozen pork were not. Price control stayed on chickens, but ducks and geese were decontrolled. Fresh eggs were controlled but not salted eggs.

2. Expanding price differences. With enlarged price differences, the production of such high-grade vegetables as chives and tomatoes, which had disappeared from the market for a long time, has gradually resumed. This is the beginning of the end of the dominance of the "water spinach" in the market. Seasonal price differences were also increased from the original 30-50 percent to 70-100 percent and even above, as the case may be. This pricing mechanism encourages off-season production and is an effective way of solving the problems of peak-season over-supply and off-season shortages. Price differences at the retail level were expanded from 25 percent to 33 percent. To unleash the sales enthusiasm of retail departments, a bonus of 0.2 yuan was offered for every dan of goods sold. As a result, the amount of discarded rotten vegetables dropped sharply. In 1981, of every dan of vegetables which they sold, state-owned companies had to discard 11.5 jin on the average. That figure fell to 5.5 jin in the second half of 1982. Seafood companies boosted price differences between high- and medium-grade fish, on the one hand, and low-grade fish, on the other, starting at the procurement end. In the past, good-quality fish in demand in the market was unavailable, while low-grade fish had to be sold as fertilizer. Now that prices are more spread out, these problems have been eliminated. In the retail market, unified prices were abolished and replaced by a system under which products are graded and prices negotiated accordingly. Food companies widened price differences between various grades of meat. Without changing the price of 106.34 yuan for meat in general, the price of one jin of lean meat was increased three times, from 1.6 yuan to 2.4 yuan, while that of one jin of fatty pork was reduced from 0.9 yuan to 0.7-0.65 yuan. To buy lean pork, people in the past had to stand in long lines, and even then they might not be able to get it. On the other hand, fatty pork had to be thrown out for lack of buyers. Now all that has changed: reform has successfully guided consumption and regulated supply and demand.

3. Raising procurement prices and allowing price floating within a specified range. Procurement prices for one dan of vegetables averaged 9.64 yuan in 1981, up 25.5 percent over 1980, and 9.46 yuan in 1982, down 1.9 percent compared to 1981. The procurement price for aquatic products was 18 yuan in 1981, an increase of 3 percent over 1980, and 17.44 yuan in 1982, down 3.2 percent compared to 1981. Moreover, prices are allowed to float within 30 percent of list prices. Procurement station masters are to exercise the regulatory power flexibly according to supply-demand conditions.

In the course of experimental reform, we became convinced of the desirability of taking the initiative to adjust upward procurement prices which were patently unreasonable. This helped our effort to narrow the price scissors in the exchange of industrial products for agricultural products, enabled producers to benefit tangibly from price increases, and stimulated enthusiasm. We did not worry even when the production of certain commodities had not risen in the wake of price increases. Nor did we lose our cool when we came under criticism. We must have faith in price as the most effective market regulatory mechanism. The subsequent large increase in output and procurement and the gradual bridging of supply-demand gaps justify that faith.

During the stage of experimental reform, we also decontrolled the procurement prices of such agricultural products as tobacco leaves, water weeds, jute, and dried muci [2606 5412], decentralized the power to regulate small commodities, adjusted the price ratios of some commodities, expanded the range of preferential rates of certain foreign exchange certificates, allowed the supply prices of means of production purchased in excess of targets in the national plan to float within a set limit, imposed a maximum price on local materials such as sandstone after adjusting their prices downward, permitted some tourist service charges to float, and decontrolled all repair and maintenance charges, and let them be determined by the market.

As a result of experimental reforms, the economy of the zone became more and more active, with various enterprises poised for take-off. Price increases began to slow down. Double digit increases in the retail price index were replaced by single-digit increases. Before the reform, the consumer price index soared 17.1 percent and 13.7 percent in 1979 and 1980 respectively. After the reform, it rose just 6.8 percent in 1981 and 7.8 percent in 1982. In the three categories of vegetables, fish, and meat in particular, which were selected for trial reforms, prices became more reasonable, with supply and demand gradually achieving a balance.

Stage 2, 1983-October 1984: On the basis of the experience we had acquired, we gradually quickened the pace of reform and tackled the prices of different groups of commodities. The thrust of this period was the decentralization of price control authority, reduction of the number of controlled prices, and expansion of the scope of price reduction. In decentralizing price control power, we were concerned to control the important and decontrol the less important and to minimize control and maximum freedom. We were also guided by the need for variety, flexibility, relative stability and good management. We decided on two price management methods, depending on the varying impacts of different categories of products on the national economy and people's livelihood. One is planned prices, subdivided into fixed prices and controlled prices. The former fall under the jurisdiction of the central and provincial governments, while the latter are the responsibility of the SEZ government. The second is free prices, which comprise negotiated prices and market prices. The former are decided through consultation by the relevant departments in charge, trade associations, industrial and commercial enterprises, the domestic and foreign trade sectors and localities. The latter are to be fixed by the enterprises and producers in question in light of the supply-demand conditions.

Specifically, we carried out the following reforms regarding the scope and method of price management:

1. Fixed prices. The state, province and municipality continue to fix the prices of important commodities and the charges of crucial services which impact the national economy and people's livelihood, such as railway fares, shipping charges, air transport, posts and telecommunications, grain, edible oil, meat, fuels, rents, water and electricity, medical services, school tuition and municipal transportation. However, a more flexible approach was adopted toward the pricing of such key means of production as steel products, cement, timber, coal, and petroleum: price control applies to whatever is bought in accordance with the plan, while prices for the amount in excess of the target will be allowed to fluctuate within 20 percent of the fixed prices. The actual prices are to be determined by the company concerned in accordance with the costs of its purchase and the supply-demand situation.

2. Controlled prices, or floating prices. Floating ranges are specified for certain commodities within which enterprises are allowed to set prices. The prices of marine products, for instance, are allowed to float within 70 percent of set prices, up from the original 30 percent. For some high-grade fish, the variation can be 1-fold. In the category of vegetables, the procurement prices of 18 major varieties can float within 100 percent while sale prices can deviate from the fixed prices by 50 percent.

3. Free prices. Other than the two major types of prices mentioned above, most are free prices, which come to account for an increasing share of prices. In 1984, they made up about 80 percent of retail sales, compared to 15 percent in 1979.

Stage 3, beginning 1 November 1984: The more thoroughgoing reforms in this period went hand-in-hand with wage reforms. With the exception of rents and medical services, prices in Shenzhen have basically been straightened out.

The dissociation between procurement and selling prices was brought to an end. The rationing of grain, meat, edible oil, gas, and charcoal at list prices was replaced by free choice and purchase at negotiated prices. Government subsidies to make good the deficit in vegetables sales were abolished in favor of market regulation.

Rice (Grade 3 with a precision of 93): The price of rice per jin was raised from 0.146 yuan to a maximum of 0.29 yuan. As for Grade 3 rice with a precision of 88, its price was increased from 0.17 yuan to a maximum of 0.32 yuan. The actual effective price at the moment is 0.27 yuan.

Peanut oil. Increased from 0.93 yuan a jin to 1.8 yuan, further raised to 2 yuan at the maximum last January. Oil is currently in short supply, so the price trend is up.

Fresh pork. The price of 100 jin of meat in general was raised from 106.34 yuan to 170 yuan. The actual effective price now is 160 yuan. High-grade meat now costs 2.1 yuan a jin, up from 1.4 yuan, while lean meat costs a maximum of 3.2 yuan, up from 2.4 yuan.

Coal gas. The price of a bottle (15.5 kilograms) was adjusted upward from 9.4 yuan (special price, 5.5 yuan) to a maximum of 12 yuan.

Honeycomb briquet. Increased from 0.025 yuan each to 0.06 yuan (effective January 1985).

Between them, grain, edible oil, meat, vegetables and coal gas had their prices increased by 18.54 yuan in all. The increases occurred at a time when workers were earning more as a result of wage reform, hence the people's livelihood was not affected.

IV. The Achievements of Reform

Price reform in Shenzhen has paid off in significant ways. This is because it proceeded surely and steadily, its methods were well-conceived, the conditions were just right and it aligned prices with wages. Among its principal achievements are:

First, it caused no confusion in the market. There was no panic buying, no shortages, and certainly no inflation. On the contrary, the market is lively but orderly, commodities abound, and there is a full variety of goods. In 1984, total social commodity retail sales amounted to 1.8 billion yuan, an increase of 43 percent over 1983 and 11.4-fold over 1979.

Today, the market has become even more prosperous, with the agricultural market in particular enjoying an unprecedented boom. Commodities are available in all their varieties and business turnover is tremendous. It is a picture of prosperity. Total transactions in 1984 involved 67,360 jin with a combined value of 57.13 million yuan, up 1.71-fold and 1.17-fold respectively over 1983. The general price index dipped 9.2 percent in 1984 compared to 1983, slipping 16.8 percent, 9.6 percent, and 12 percent in the first 3 quarters respectively before rising 2.3 percent in the fourth quarter.

Second, the price situation is excellent as prices have stopped rising and have become normal. Despite the sharp price hikes caused by a variety of reasons immediately after the founding of the municipality, we have gradually eased price inflation through price reform, market regulation and the promotion of commodity development, as the following table shows:

Table 1. Overall Social Retail Price Indices

Year	Percent increase over previous year	Percent increase over 1978
1973	+17.1	+17.1
1980	+13.7	+33.1
1981	+6.8	+42.0
1982	+7.8	+43.3
1983	+2.1	+46.3
1984	+5.2	+53.9
January-September 1984	+2.7	-
October-December 1984	+15.8	-

As this table makes clear, the first conclusion we can draw from Shenzhen's price movements over the past 6 years is that in the pre-reform days of 1979 and 1980, the situation was not good and the price index was registering double-digit increases. As limited price reforms went into effect in 1981-82, the situation improved marginally and single-digit price inflation replaced double-digit increases. As the price system was overhauled, the situation changed markedly for the better and the price index dropped from 6.3 percent and 7.8 percent to 2.1 percent and 2.7 percent, respectively.

Third, living standards have distinctly improved. An important guiding principle behind price reform is that under no circumstances will price reform be allowed to bring about a decline in living standards. On the contrary, price reform, accompanied by production development, should lead to a gradual improvement in the people's livelihood. Otherwise, reform will not succeed. This guiding principle was largely realized in Shenzhen's experience. In 1984, the zone's social commodity retail price index rose 53.9 percent over that of 1978. In the same period, workers' wages have grown 3.2-fold. Since wages have risen much faster than prices, the workers' livelihood has improved significantly. Year-by-year comparisons are given below:

Table 2. Comparison of Wage and Price Increases

Year	Average monthly wages of workers (yuan)	Percent increase over previous year	Price increase (%)
1978	47	-	-
1979	66	40.4	17.1
1980	87	31.8	13.7
1981	96	10.3	6.3
1982	113	17.7	7.8
1983	131	15.9	2.1
1984	189	44.3	5.2

Per capita gross national output was 3,109 yuan in 1984, up 32 percent over 1983. With per capita income over $1,000, the people have attained a comfortable standard of living.

Fourth, it has promoted agricultural and industrial development. Price reform and the adoption of market regulation are economic mechanisms essential to stimulating economic development. The gradual adjustment of irrational product prices has aligned prices more closely with value. In the past, enterprises sold what they produced. Now, they produce what the market wants. In this way, price reform has contributed to the sustained and rapid development of agricultural and industrial production. Shenzhen industries are still in their infancy. In 1984, gross industrial output shot up 151.8 percent over 1983, profits rose 160 percent while taxes increased by more than 100 percent. Hence, output value, profits and taxes all went up.

The gradual increase in the procurement prices of agricultural products, vital to agricultural production, has begun to reverse the tendency to underprice agricultural products relative to other commodities. Peasants have been able to increase their earnings even without raising output. As a result of the gradual adoption of market regulation in recent years, agricultural commodity production has grown more rapidly. Specific data are given below:

Table 3. Increase in Agricultural Output

Year	Gross value of agricultural output (100 million yuan)	Percent increase over previous year	Percent increase over 1978
1978	1.18	-	100.0
1979	1.15	-2.6	-2.6
1980	1.51	+31.2	+27.8
1981	1.30	-13.6	+10.4
1982	1.41	+8.2	+19.4
1983	1.52	+8.1	+29.1
1984	1.95	+28.0	+65.5

Clearly, the Shenzhen SEZ's price reform is a preliminary effort yet to be refined. When the zone's second front separation measures are put into practice to effect the total shift of its economy to market regulation, there are likely to be new breakthroughs in its price and management systems. Only through continuous reform and innovation can we create through action a new price structure and system for China's very own special economic zones. We are moving in that direction.

12581
CSO: 4006/711

LABOR AND WAGES

WAYS TO FURTHER ADVANCE TRADE UNION WORK DISCUSSED

Beijing GONGREN RIBAO in Chinese 22 Nov 85 pp 1-2

[Article by Hao Jianxiu [6787 1696 4423]: "Advance Trade Union Work One Step Further; Summary of Speech by Comrade Hao Jianxiu on 13 November 1985 at the 3rd Executive Committee Meeting of the 10th All-China Federation of Trade Unions"]

[Text] In almost 1 year's time since the Second Executive Committee Meeting last year until now, the All-China Federation of Trade Unions and trade union organizations at all levels have steadfastly developed all kinds of work centered around the four moderizations program, mobilized the broad masses of workers and staff members to participate in reform and done a great deal of work in strengthening the basic-level trade unions and improving the quality of workers and staff members, in expanding the decision-making power of enterprises and experimenting with the factory manage responsibility system, in setting up and consolidating the workers congress system, in guaranteeing the rights of workers and staff members to participate in the democratic management of enterprises, and other areas. Your courageous exploration, constant effort, and steadfastness in creating new things have enabled you to keep pace with the times and open up new situation. I would like to present several suggestions with regard to trade union work from now on as follows:

I. We Should Get a Clear Understanding of the Situation, Have Firm Confidence and Mobilize the Broad Masses of Workers and Staff Members To Strive for Developing an Excellent Situation of Political Stability and Unity and Steady and Proportionate Economic Development

Comrade Hu Haobang pointed out that the nearly 7 years since the 3d Plenum of the 11th CPC Central Committee "represented one of the best periods in the development of the economic and political situation since the founding of new China." I think, every one of our comrades shares this feeling personally. China's economy was at a standstill and out of proportion 7 years ago. Today, a new situation of sustained, steady, and balanced development has begun to surface.

The economic situation is very good this year. By the end of October, the GVIO has reached 90.8 percent of the annual plan, showing an increase of 19.6 percent over the same period last year. As a result of the balanced development of light and heavy industries, the labor productivity of industrial enterprises registered an increase of roughly 10 percent over the same period last year. The preliminary readjustment of the agricultural production structure resulted in the increased output of cash crops and meat and aquatic products in varying degrees, especially the marked increase of oil-bearing crops. At present, the urban and rural markets are thriving and commodity prices are becoming stable. According to the State Statistics Bureau, the general level of commodity prices in the country from January to August this year showed an increase of 7.7 percent over the same period last year, while the wages of workers and staff members of state-owned enterprises increased 16.9 percent over the same period last year. Discounting the price-hike factor, the living standard of workers and staff members has obviously improved.

The economic situation is inseparable from the political situation; without a political environment of stability and unity, everything will be out of question. Our party is united and so are our people. The people of all nationalities throughout the country are satisfied with the current fine situation and support the various general and specific policies of the party heartily, they are full of confidence and hope about the prosperity of the country and the rebuilding of the nation.

It goes without saying that all sorts of contradictions and problems, however, are ongoing issues. In the course of economic work, effective means to carry out reform and delegate power, on the one hand, and correspondingly exercise macroeconomic control, on the other hand, are still not too well coordinated. Some localities and departments are competing to expand their scope of activities and add on more projects, others are vying to import high-grade consumer goods that are absolutely nonessential. The CPC Central Committee and the State Council, which discovered these problems in time, have adopted appropriate measures to deal with them. Now, the economic situation as a whole is expected to develop a step further for the better.

Certain new unhealthy tendencies have appeared under the new situation. Under the pretext of stimulating the economy, some people have failed to implement the law or enforce bans, engaged in buying and reselling at a profit, indulged in speculation and fraud, carried out corrupt practices and accepted bribes to seek personal gains by using official power. These gloomy, corrupt, and negative phenomena have aroused the resentment of the broad masses of the people. But, our party and state are confident and able to overcome these things step by step and ultimately eliminate them.

The working class is the leading class of the state. The trade union is a mass organization and a class organization of the working class. The present situation calls on us to conscientiously study the guidelines of the party national conference, unswervingly strengthen ideological and political work, carry out education on the situation and policies among the broad masses of workers and staff members, take the lead in boycotting all kinds of unhealthy tendencies impeding reform, safeguard and develop a good situation of stability and unity and mobilize the broad masses of workers and staff members to make new contributions in the four modernizations drive to reinvigorate China.

II. Strengthening Ideological and Political Work, Promoting the Building of Socialist Spiritual Civilization

Powerful ideological and political work is a fine tradition of our party and an important pillar to socialist spiritual civilization. Recently, I noticed several factories in Nanjing and Wuxi which attached great importance to ideological and political work and laid stress on bringing up a contingent of workers and staff members with ideal, moral-integrity education and a sense of discipline as their principal task. They have concentrated on building spiritual and material civilizations simultaneously, done their work punctiliously and penetratingly, explored some new ways and accumulated numerous good experiences.

Nationally speaking, however, ideological and political work has been greatly weakened in recent years. That we have not done well in many of our tasks is mostly due to the slackening and weakening of ideological and political work. The important speeches made by five CPC Central Committee Standing Committee members at the party national conference all emphasized repeatedly that ideological and political work should be strengthened and that material civilization should be built hand in hand. Without strengthening the building of spiritual civilization, the building of material civilization cannot be guaranteed or may have to take a tortuous road.

Based on the demands of the situation and taking into consideration the experience of my inspection at the grassroots units, I am of the opinion that in order to strengthen ideological and political work, we should at this time present several of the most basic demands to trade union cadres at all levels, particularly leading cadres of trade unions at all levels, as follows:

1. They should go deep down to the masses of workers and staff members and regularly educate them on the basic situation and fundamental policies, integrating these with the views of the broad masses of workers and staff members on the important policies laid down by the party and the state in each and every important period and linking these with the issues of the greatest interest to them. They should exchange their thoughts and feelings face to face with the masses in clear and simple language and answer various questions raised by the masses of workers and staff members. They should, by analyzing and comparing things realistically, make the broad masses of the people better understand that the series of principles and policies and practical work of our party in 7 years since the 3d Plenum of the 11th CPC Central Committee are all designed to make the country prosperous and the people rich and to build China into a modern and highly civilized and democratic socialist country with Chinese characteristics.

2. They should have faith in the great majority of the workers and staff members. The working class represents the advanced forces of production and relation of production. The working class's ardent love for the party and socialism is determined by the historical role of the class; the historical role and functions of the class will not be affected by all sorts of temporary negative phenomena existing between them, or because some people among them still remain in a backward state. We should realize that in pursuing the

great cause of construction and reform, we have often failed to pay sufficient attention to the advanced thinking and advanced deeds that emerged every day and every hour among the broad masses of workers and staff nor did we sum them up and publicize them fully. Therefore, we should be good at discovering all positive factor among workers and staff members, encourage healthy trends and protect the advanced. We should use the advanced thinking and advanced deeds of the workers and staff members to educate the workers and staff members so as to strike at and boycott unhealthy tendencies. Some workers and staff members of the Wuxi No 1 cotton textile plant employing 8,000 workers and staff members has asked to leave the plant to find other jobs themselves due to poor working conditions, rising labor intensity, and poor pay. To cope with this situation, the CPC committee in the plant started to intensify education on ideals and discipline and, while organizing the broad masses of workers and staff members throughout the plant to emulate the advanced people around them. Through study and emulating, the workers and staff members came to realize that the advanced people at their side were actually "flesh and blood and real and dependable." The mental outlook of workers and staff members has now changed noticeably, workers who for a time stayed away from work without leave or good reason to be in business have voluntarily returned to the plant. The Nanjing Chenguang Machinery Plant set up a political school for workers and staff members and has achieved excellent results in carrying out more systematic education on the communist ideological system by means of running a regular school and releasing people from production to undergo training.

3. They should set an example. Trade union organizations at all levels and trade union cadres must take the lead in boycotting unhealthy tendencies of every description and refrain from involving themselves in unhealthy tendencies. The masses are very practical in matters, they listen not only to what you say but also watch how you act. Therefore, cadres must take the lead in upholding the principle of the party spirit and earnestly practice what they preach by starting with themselves. If a cadre does it this way, he will be able to lead a group of people around him. If every one starts with himself, the party style and social conduct can be expected to take a turn for the better soon.

Trade union organizations at all levels must also take note that ideological and political work must be linked with the solving of certain real issues existing among workers and staff members. Daily ideological and political work must be carried out in depth in production, daily life, and other spheres in the most lively and vivid way possible.

The most fundamental task of ideological and political work "is to improve men's ability to understand and transform the world." In transforming the objective world, the working class also transforms itself. So long as working class's task of understanding and transforming the world are perpetuated, the task of transforming the subjective world is also perpetuated. By the same token, the tasks of ideological and political work are also perpetuated and continue to occupy an important position in our undertaking. So, the strengthening of ideological and political work that we advocated is not an expedient measure by any means but a step to meet short-term needs. It is in fact a long-range task. The trade union organizations which united and educated the broad masses of workers and staff members represent a principal work department of the party in carrying out ideological and political work in the working class and also a capable assistant of party committees at all levels. Comrade Xiaoping and Comrade Chen Yun have both emphasized that ideological and political work, and contingents doing ideological and political work, must be greatly strengthened and they must safeguard the authority of the party's ideological and political work departments. Comrades, the party supports us and our task is a glorious and important one.

III. We Should Put Reform in First Place Above Other Tasks and Mobilize the Broad Masses of Workers and Staff Members to Strive for the Fulfillment of the Seventh 5-Year Plan

One of the major tasks of the Seventh 5-Year Plan is to basically lay the foundation of a socialist economic system with Chinese characteristics that is full of life and vitality so as to create conditions for sustained and steady economic development in our country in the next 10 years and even into the early period of the next century. The Seventh 5-Year Plan period represents a crucial period of overall reform of China's economic system; the overall situation calls on us to put reform in first place above all other tasks.

At present, the trade unions at all levels are mobilizing the broad masses of workers and staff members to actively take part in the reform. What work should be done in our struggle to fulfill the Seventh 5-Year Plan? I think:

1. We should publicize in depth the guiding ideology, the strategy for development, the principles and policies and the tentative plan for reform embodied in the proposed Seventh 5-Year Plan so that every worker and staff member can understand the nature, objectives, and vital significance of the reform and enhance their consciousness of participating in and supporting it. We should mobilize workers and staff members to actively participate in the democratic management of enterprises and perfecting the workers congress system; we shou should mobilize them to study their business assiduously, master their skills, work diligently and energetically at their own posts and carry out socialist labor emulation centered around the building of material and spiritual civilization so as to achieve a first-rate work level. We should work together with enterprise administrations, concentrate on the two links of raising product quality and reducing material consumption and work energetically to bring up the quality of enterprises, tap the potential of enterprises, and promote the technological transformation and progress of enterprises.

2. We should resolutely boycott all kinds of unhealthy tendencies that impede reform. All sorts of unhealthy tendencies have now appeared in society, if not corrected, they may hamper the smooth progress of the four modernizations drive and the reform as well. Trade union organizations should have a clear-cut stand, unite and mobilize the broad masses of workers and staff members, adopt powerful measures, and resolutely oppose and boycott all kinds of unhealthy tendencies and other phenomena in violation of law and discipline. We should develop the fearless spirit of the working class and have no fear of retaliation and "isolation." Those who created the unhealthy tendencies and

violated law and discipline have fear of mass supervision the most because no matter how well their schemes are concealed, they can only hoodwink a few people but not the great majority of workers and staff members. We have to rely closely on the working class to basically improve the social mood.

3. We should strengthen investigation and study and step up study on the dividing lines of various policies in the course of the reform. Reform, a profound social change itself, is bound to bring about a series of profound changes in economic and social life, modes of work, and the people's mental outlook. Adapting to all this, there is a need to perfect and develop various policies, rules, and regulations. The working class should stand at the head of reform, participate in and lead the reform. The trade unions should give play to their role as a bridge and link between the party and the masses of workers and staff members and focus and reflect the opinion and demands of the broad masses of workers and staff and submit proposals for the party to draw up policies and make policy decisions. The suggestions you made at this meeting about strengthening the work of urban trade unions clearly emphasized the three links: a) participation in and discussion of government and public affairs and active participation in important policy decisions for the reform, development, and building of the urban economic system; b) concern about the overall urban situation and seeing to it that the building of material and spiritual civilization plays a role in building socialist new-type cities; c) steady building of the basic-level trade unions around activities to invigorate enterprises and working hard to lay the groundwork for building up the basic-level units. All these are good suggestions, what we should do now is to implement them one by one in a practical manner and achieve results.

IV. We Should Study, Integrate Theory with Practice, Push Trade Union Work Forward in the Process of Cooperating and Replacing the New with the Old

Comrade Xiaoping put forth "a new demand" at the party national conference, that is, we should study Marxist theory. Comrades are aware that the line, principles, and policies laid down by the party are the products of the integration of the fundamental theory of Marxism with the concrete practice of the Chinese revolution and construction. However, whether or not we can profoundly comprehend the party's line, principles, and policies, whether or not we can explain why the party formulates given policies instead of other kinds and why a given policy must be readjusted instead of another one, why the objective situation changes and so forth, new insights on all these can only be gained through restudying old material. The time and tasks are different now at a time when we aspire to build socialism with Chinese characteristics. We must study more new knowledge, which requires us to master and apply the fundamental theory of Marxism, analyze the new situation, solve new problems and deepen our understanding of party policies.

Recently, the leading bodies of the trade unions at all levels have been taking a further step in readjusting and replenishing cadres to cope with the demand of making cadres more revolutionized, better educated, professionally more competent, and younger. Some middle-aged and young cadres in their prime have assumed leading positions in trade unions at all levels bringing life and vitality to trade union work. It is hoped that the newly promoted comrades will firmly foster the idea of serving the people wholeheartedly, proceed in all cases from the interests of the people, and never divorce from the masses; they should seriously study Marxist theory and the party line, principles, and policies, make an effort to raise the ideological level and the level of understanding of policies; they should impose strict demands on themselves and develop the party's fine traditions through their own exemplary actions; they should remain modest and prudent, guard against arrogance and rashness, and voluntarily accept the supervision of organizations and the masses of workers and staff members. History puts us in leading positions; we must never fail to live up to the trust and the great expectation of the party and the people.

Many veteran comrades who stepped down from leading positions due to age have made tremendous contributions to China's labor movement and trade union work in their long years in trade unions. They will not be forgotten by us. I hope that old comrades will continue to show concern about trade union work and the upbringing of the middle-aged and young cadres. I am convinced that under the leadership of the party committees, trade union organizations at all levels will definitely push trade union work forward a step further in the course of replacing the old cadres with the new ones and in their cooperation and find a new way for trade union work with Chinese characteristics.

12662/13045
CSO: 4006/569

POPULATION

URUMQI CLAIMS SUCCESS IN POPULATION PLANNING

OW030642 Beijing XINHUA in English 0630 GMT 3 Feb 86

[Text] Urumqi, 3 February (XINHUA) -- The population growth rate of Urumqi, capital of the Xinjiang Uygur autonomous region in northwest China, dropped to five per 1,000 in 1985, according to the city population planning committee.

"This is 12.6 per 1,000 lower than in 1975, as a result of the family planning policy and birth control measures," said Wang Minli, deputy director of the Urumqi city population planning committee.

The national population growth rate has been reduced from 25.83 per 1,000 in 1970 to 10.81 per 1,000 in 1984.

Wang said that Urumqi's total population is 1.16 million, 73.76 percent of Han nationality and 26.24 percent of minority nationalities, including Uygur, Kazak and Hui.

"To keep Urumqi's population to about 1.3 million by the year 2,000 is our goal," Wang said.

Under population policies, an urban minority nationality couple may have two children, and a rural couple may have three, while Han couples usually are restricted to one child, Wang said.

"A total of 39 family planning centers have been established in the past few years in the city to provide contraceptives, consultation for pregnant women and medical treatment for women," she said.

The city launched the region's first outpatient department for family planning consultation last year.

"The family planning policy is accepted by the people of the city as necessary for China's social and economic development as well as the living standards of its people," Wang added.

/12929
CSO: 4020/224

POPULATION

BEIJING COUPLES HAVE HEALTHIER, FEWER BABIES

OW261212 Beijing XINHUA in English 0656 GMT 26 Feb 86

[Text] Beijing, 26 February (XINHUA) -- About 1,300 fewer babies were born in Beijing in 1985 than the previous year and a survey shows they are getting healthier.

The city's natural growth rate went from 14.36 per 1,000 in 1982 to 8.65 per 1,000 in 1985, Li Zhen'en, a municipal family planning official told XINHUA today.

If the annual birth rate had continued at the 1964-73 rate of about 21 births for every 1,000 people there would have been 217,000 more Beijing babies in the last five years.

Beijing's population had climbed to 9,578,977 by the end of last year, according to the city's Public Security Bureau.

Li said, "the city's residents are now well informed about the significance of birth control and we enjoy overwhelming support."

A sample survey of 3,000 people at the Shijingshan district in the western suburbs indicates that only four percent of the people insist on having a second child, while one third say that one is quite enough. Other couples said they would follow the government policy.

"How to give birth to a healthy baby is a very important consideration for newly-married couples," Li said. "Consequently, doctors and family planning workers are devoting more time and energy to this."

Since late 1984, both male and female applicants for a marriage license must be cleared by their work units. They must report any physical abnormalities or congenital diseases of their family members. They are also required to have a health check and present a health certificate signed by a doctor.

According to a rough calculation of hospitals in the municipality, about 20 percent of marriage license applicants suffer from a chronic illness. Most of these are successfully treated and have no effect on the ability to produce normal children.

Doctors keep a close watch on pregnant women whose families have had congenital diseases. Ultrasound wave examinations and analyses of the chromosomes of the fetus help doctors discover abnormalities. In these cases the woman is advised to terminate the pregnancy at an early stage.

The Sanlitun neighborhood in east Beijing has had 1,800 births since the pre-marriage health examination started there in 1983 and every one has been healthy.

In contrast, 18 out of 3,700 babies born between 1980 and 1983 had congenital diseases, a neighborhood official said.

Neighborhood consulting stations run by the hospitals provide couples with needed information about child bearing, maternal and baby health care and methods of contraception.

/12929
CSO: 4020/240

POPULATION

BRIEFS

ACHIEVEMENTS IN FAMILY PLANNING WORK--Our province successfully fulfilled the population plan during the "Sixth 5-Year" Plan period. In the past 5 years, the average natural population growth rate was 9 per thousand, 2 per thousand lower than the state plan of 11 per thousand. The number of newborns in the past 5 years was 5.1 million fewer than that of 1970, equal to the total population of seven or eight medium-sized counties. This was also a notable achievement. In general, amount of money needed to rear and educate a person in rural or urban areas is about 5,200 yuan. Thus, the province has saved 26 billion yuan for the state, the collectives, and the individual families with 51 million fewer newborns. Besides, this has eased the current tight situation with regard to housing problems, transportation, education, medical treatment, and employment. This was a great contribution to the four modernizations made by the masses of women at the child-bearing age. [Text] [Jinan DAZHONG RIBAO in Chinese 22 Jan 86 p 1 SK] /12712

BEIJING POPULATION STRUCTURE--According to statistics, the number of staff members and workers in Beijing Municipality has increased to 3,776,000. The permanent population in the urban areas of the municipality has reached 5.725 million people, an increase of 773,000 over 1978. As of the end of 1985, the urban and rural areas of the municipality had 5.6 million laborers, of which 35.9 percent were engaged in the tertiary industry. [Summary] [Beijing City Service in Mandarin 1000 GMT 23 Jan 86 SK] /12712

CSO: 4006/751

ROLE OF SHIPPING IN URBAN CONSTRUCTION NOTED

Changsha JINGJI DILI [ECONOMIC GEOGRAPHY] in Chinese No 4, Nov 85 pp 292-294

[Article by Pang Zhen [1690 7201]: "The Position and Role of Shipping in Modern Urban Construction with Hong Kong and Shenzhen as Examples"]

[Text] Once Marx said that river and marine transportation have a "magic" power in the establishment of a large city. Chinese and foreign history have proved that smooth flowing waterways and the development of transportation business not only have a "magic" effect on the emergence of a large city, but also to the active promotion of economic and cultural development with foreign countries.

I. Historical Significance of Marine Transportation

China's coastline is very long and we have a lengthy history in the development of marine transportation. Our ancestor invented the magnetic compass, which not only added a "watchful eye" to ocean navigation but also added a glorious page to the world history of marine navigation.

The emphasis on marine navigation in China started from the Sui dynasty to promote foreign trade and the prosperity of the domestic economy. By the Tang dynasty, marine transportation had become the pillar of the country's economy. By the Sung dynasty, marine transportation advanced further and had recorded a carrying capacity of 10,000 dan. Referring to the book entitled "Minghuo Zheng He Zhuan," one can read of Zheng He, the pioneer navigator of our country, and his impressive world renown sever voyages to the west. On seven occasions, he led an ocean-going fleet to the Atlantic Ocean conveying our friendship to the east coast of Africa and the mouth of the Red Sea, greatly promoting economic and cultural relationships between China and the world.

The ancients have said: "with water, a city prospers; without water, a city declines." "cities prosper because of water and water in turn is exploited by cities." This is in fact quite true. Macao, for example, was built a hundred years before Hong Kong, but its development fell far behind the latter simply because of the lack of deep water ports, which limited its water transportation. Xi'an, a historic ancient city, had been the capital of many ancient Chinese dynasties, but its development is far behind the coastal cities of

Shanghai and Tianjin for the same reason--Xi'an has no deep water ports and therefore its water transportation is restricted. In Hunan, Caoqing too was built a hundred years earlier than Guangzhou, but its development also lags behind Guangzhou for similar reasons. Looking around the world, the development of all famous cities abroad is contingent upon the development of marine transportation. Statistics show that among the world's 53 export processing zones, 45 have excellent transportation facilities equipped with harbors and docks or with good passageways linking harbors and docks. All these facts--ancient and modern, Chinese and foreign--prove that the development of marine transportation has a vital impact on the extent and speed of the development of cities.

II. Economic Effects of Marine Transportation

Marine transportation is superior to land or air transportation. It requires less investment, and has a greater carrying volume and lower freight rates, making it the perfect transportation system. According to an analysis, in land transport, a 20-hp vehicle is capable of carrying only 1 ton of cargo, the same amount a train of 1 hp can carry. An aircraft would require 2,000 hp to carry 1 ton of cargo, but water transportation requires only 1 hp to carry 4 to 6 tons of cargo. The Rhine is one of Europe's largest rivers; it is also the busiest inland waterway in the world, transporting cargo with a volume equivalent to that of 30 rail lines. The most developed industrial zone of western Europe is centrally located along the Rhine. Another example is the Mississippi River in the United States, the world's 4th longest river, with its mainstream and branches linking up with the Great Lakes to form a vast inland waterway network, indeed the artery of America's inland waterways with a capacity equivalent to 20 rail lines. In short, the economic gains of marine transportation are vast and the role it plays is very important.

III. The Relationship Between Marine Transportation and the Construction of a Modern City

Transportation is one of the many fundamental infrastructures of a modern city. It is the vanguard of a modern city's construction and development. Today, as the modernization of a city continues, a prerequisite is that basic facilities be developed in balance, fully interconnected and interdependent to guarantee economic development. Only with facilities such as water supply, energy supply, communications and transportation which are developed and interdependent can the mistake of blind development be avoided and can overall superiority be brought into play to open up a new, integrated path of development. The development of a city is contingent upon the development of a harbor and vice versa. Hong Kong, for example, was a deserted, small island in the beginning.

Narrow, sparsely populated and, except for sunshine, seawater, bays and rocks, it had no natural resources at all, not even fresh water. Now, with foreign trade as its lifeline, Hong Kong ranks 16th in the capitalist world in terms of foreign trade, and 2nd in Asia only to Japan. According to 1983 statistics, its total output value was HK$206.89 billion or a per capital average of 38,939 Hong Kong dollars, greatly illustrating its economic prowess. How is it that Hong Kong, such a small place, can be developed into such a modern light industrial manufacturing center. an active "world special economic zone" of renown, and a key seaport city in the Far East famed as the "pearl of the Orient"? Most important of all the answers is that Hong Kong has highly efficient modern transportation facilities. It has 8 deepwater harbors, 5 container yards, and more than 70 berths for large vessels. Hong Kong shipowners now own a fleet totaling 50 million to 55 million GRT, ranking 4th in the world. Each year, 20,000 ocean-going vessels and 100,000 inland vessels call at the port which is 7th in the world in terms of throughput [handling capacity]. It has Victoria Bay, one of the world's "busiest and most efficient" seaports; Kai Tak International Airport, with its advanced equipment and excellent service; and electrical rail systems that link Hongkan, Kowloon, and Guangzhou via Shenzhen. With already well-developed existing transportation, Hong Kong is still not satisfied, and the authorities are planning to build the Kwaichung container yard, attempting to go another step forward in container shipping. It is predicted that upon completion of the plan by 1986, the yard should be able to handle 2.2 million TEU, a capacity that will exceed New York's and rank 2d in the world after Rotterdam. On schedule to be guilt in 1986-1988 is another container yard equipped with 3 gantry cranes which when completed will enhance the operating capacity of Hong kong's container yards by 45 percent. Also planned is the construction of the world's largest container yard--Asia Container Yard. Obviously, there is nothing ordinary about the status and function of marine transportation in the construction of a modern city.

IV. The Importance of Marine Transportation in Shenzhen

Shenzhen City faces Dapeng Bay and Daya Bay on the east and the mouth of the Zhu Jiang and Shenzhen Bay on the west. It is located on the coast of the South China Sea, with a coastline of 200 kilometers (including 11 kilometers of Shenzhen River coastline), with many deepwater spots along the coast, providing good shelter and important geographical location, unique enough in abundant resources for the construction of a seaport. Dapeng Bay in particular, a deep water harbor, is deep, wide, naturally sheltered on three sides, and with little silt buildup, is considered by many experts in surveys as the most ideal place to build the largest deepwater port in southern China. Recently, professor Zhang Guowu [1728 0948 0124], of Northern Jiotong University, came to Shenzhen for a survey and concluded: "Shenzhen will be an outgoing type of seaport, a wholly integrated seaport that must link up ports in the Dapeng Bay with Chiwan Port, Mawan Port, and Shekou Port. The construction of port and city is closely interrelated and the development of the city is contingent upon the development of the port. Through the development of the port, full play can be given to its 'four windows' role. Following the construction of Shenzhen Port, economic development of the Special Zone is inevitable. Consequently, it has profound significance for spurring economic prosperity and development in Shenzhen, south China, the whole country, and the entire world." Thus we believe that the construction plans undertaken in Shenzhen, the construction of ports and docks should be given top priority.

Shenzhen is adjacent to Hong Kong and Macao. To build it into a seaport city, a "world special economic zone" with a solid foundation, an "international exchange house" and an "international trading port" on our borders, and a bridge that links China with the capitalist world and fully plays the role of a window for technology, management, know-how, and foreign policy, we must learn and borrow from the Hong kong experience and do a good job of constructing the special zone. Presently Shenzhen SEZ is making an effort to build newly-developed industries and to expedite the formation of a liberalized economy, manufacturing "out-going products" and "hot-selling products" to promote on the international market. Agriculture will also be "trade oriented" because Shenzhen faces Hong Kong and has the unique features of multi-channel selling, short-distance transporting, fast market availability, and peak freshness in the export of agricultural products or by-products, reaching a 57.8-percent share of marketable products citywide. Guangming Overseas Chinese Animal Husbandry Farm, for instance, is producing fortified milk and selling it to the Hong Kong market, occupying a 70-percent share of the total market there. hong Kong has a population of 5.34 million people. Each year, there are no fewer than 2.8 million additional tourists, creating the market with the most potential for Shenzhen's agricultural products and by-products. All of these industrial and agricultural products are being exported by marine transportation.

Shenzhen is one of the native towns of overseas Chinese; there are 120,000 overseas Chinese spread throughout 54 countries and regions., By the year 2000, Shenzhen's population is expected to reach 800,000 to 1 million persons, and including tourists, 1.5 million or more. Its gross agricultural and industrial output value is expected to reach 10 billion yuan or more. Figuring a transport volume of 400,000 tons of cargo for each 100 million yuan, this would mean that the transport volume would reach 40 million tons by the year 2000, or 15.6-fold more than in 1984.

According to 1984 yearend statistics, the throughput of the entire port of Shenzhen was actually only 2.35 million tons, of which 1 million tons was through Shenzhen, 0.75 million tons was through Shekou Port, and 0.6 million tons was through Chiwan Port, giving rise to "port congestion." As the economy develops, insufficient transportation capabilities, especially deepwater dock capabilities, became the most prominent problem. To accommodate the construction of harbors, docks and an ocean-going fleet to the needs of the fast developing economy of the special zone, major decisions have to be made to accelerate harbor and dock construction. We must on the one hand vigorously stress the renovation and expansion of the old port while on the other emphasizing simultaneous construction of the new port, including a passenger and freight dock with an annual throughput of 700,000 tons (for berthing 500-ton class vessels), the Dongjiaotou Dock with an annual throughput of 800,000 tons (for berthing 5,000-ton class vessels), and the Yantian Deepwater Harbor in Dapeng Bay, which allows berthing of 10,000-ton class vessels. By 1986, throughput of the entire port is expected to reach 8 million tons, as planned. Meanwhile, the building of an ocean-going fleet is equally urgent, making full use of existing passenger and freight vessels in 1985 and increasing transportation strength to 100,000 tons with the purchase of 10 new vessels: one 30,000-ton bulk carrier; one 10,000-ton general cargo ship; two large RO-RO ships; four feeder vessels at 200 tons each; and two passenger speedboats, one with 150 seats and another with 280 seats. Also projected are the start of passenger service to Zhongshan, Jiangmen, Zaoqing, Zhuhai and Hong Kong, as well as north and southbound and worldwide freight service, to promote special zone trade with the mainland interior and with the world and to create more foreign currency income.

We should be able to see that the world's economic center will gradually shift from the Atlantic coasts to the Pacific coastal areas. Shenzhen and Hong Kong are located right in the center of the Asian-Pacific zone, and it is anticipated that they both will be able to play an active role on the center stage of the world economy.

12888/9312
CSO: 4006/540

HONG KONG 1986 BUDGET GROWTH

HK270513 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 27 Feb 86 pp 1, 5

[By Financial Editor John Mulcahy]

[Text] Hong Kong's economy almost came to a grinding halt last year, with overall gross domestic product rising by a paltry 0.75 percent, while per capita GDP actually declined.

This was the stark reality of statistics presented by the Financial Secretary Sir John Bremridge, in his final budget speech before retiring in June this year.

The dour economic backdrop did not presage drastic tax measures, however, and the outgoing financial secretary was able to lay on the LEGCO (Legislative Council] table both a small budget surplus for the current year and a benign revenue package.

Sir John also offered some hope in the form of "a year of export-led growth" ahead, with unemployment likely to remain low (at around three percent) and inflation creeping up to about five percent from last year's 3.4 percent.

While smokers, motorists and bankers may have cause for a mild grumble, the overall effect was better than neutral, with small and middle-income taxpayers enjoying improved allowances while business has been spared any further annoyance from the odiously regarded tax on offshore interest income.

Although GDP rose to $181.28 billion from $179.93 billion (at constant 1980 prices), the per capita figure dipped to $33,430 from $33,544, marking the first year-on-year decline in more than 10 years.

Last year's sluggish GDP growth was in marked contrast to 1984, when growth was at a staggering rate of 9.3 percent.

Domestic export were the foremost collective culprit last year, plunging by five percent in real terms compared with dramatic advances in the two preceding years.

Behind the export reversal was the extreme rise in the U.S. dollar against most currencies, taking with it the linked Hong Kong dollar and impinging seriously on competitiveness.

However, Sir John said yesterday: "The subsequent depreciation of the Hong Kong dollar has helped domestic exports to recover some of their earlier losses in price competitiveness."

Total exports this year ar expected to rise by six percent as a result of a 7.5 percent increase in domestic exports and a four percent rise in re-exports.

Last year, overall exports rose six percent, including a 25 percent improvement in re-exports.

Presenting a budget that will please most people, or at least not overtly offend any particular sector, Sir John yesterday projected economic growth of 4.5 percent for this year, and extended this rate through to 1990 as the basis for the government's new five-year strategic forecast.

In arriving at this figure, government economists have assumed three percent growth in the U.S.

The Organization for Economic Development and Cooperation countries are expected to record growth of 4.5 percent in import volume this year, compared with 5.5 percent last year, while the OECD growth rate for imports of manufactured goods is estimated at 6.3 percent, against 7.5 percent last year.

High unemployment rates in most of Hong Kong's markets, and the associated possibility of intensified protectionist efforts, could be an obstacle to a strong export performance this year.

"The protectionist sentiments now prevailing in most industrialized countries, coupled with the upcoming negotiations on the Multi-Fibre Arrangement (MFA), which affects the world's major textile and clothing exporters, including Hong Kong, have added an element of uncertainty for some export trades," Sir John said.

China's substantial trade deficit was also cited as a constraint on Hong Kong's export outlook, and Sir John suggested that after several years of rapid growth, "Hong Kong's domestic exports and re-exports to China are expected to encounter some setbacks in 1986."

From a positive perspective, though, the substantial depreciation in the Hong Kong dollar in recent months, relative to currencies other than the U.S. dollar, will be a distinct advantage in developing European and Asian markets.

"For the purpose of marking the 1986 economic forecast, it has been assumed that the U.S. dollar will show a further, mild, depreciation against other major currencies during 1986 and that the average exchange value of the U.S. dollar in 1986 will be lower than in 1985.

"Thus, exchange rate movements are expected to continue to have a favorable effect on Hong Kong's domestic export performance in 1986," Sir John said.

While acknowledging that the 4.5 percent estimated growth rate for this year was low by Hong Kong's historic standards, Sir John described the expected 3.3 percent growth in per capita GDP as "respectable," and said the consecutive years of rapid growth experienced in the second half of the 1970's and the early 1980's, "were partly related to the very rapid growth in size of the population and of the labor force during those years."

A small increase in several duties, such as petrol and diesel, as well as car and driving licenses, and the favorite whipping boy, tobacco, was far outweighed, Sir John averred, by greater allowances on personal taxes which would benefit 96 percent of those who might expect to pay salaries tax.

For the business community, the decision to repeal the controversial amendment to the Inland Revenue Act which targeted offshore interest should be well received.

According to some observers, the concession on offshore interest provisions was a pragmatic and sensible move, as the tax was not contributing greatly to revenue, and the state of the government accounts is such that the $200 million cost to the revenue could be taken on the chin.

By raising the personal allowances, Sir John effectively exempted 33,500 taxpayers previously liable for salaries tax, kept another 35,000 potential taxpayers out of the net and gave 534,000 taxpayers a reduction in tax.

The reductions are by no means enormous, but will serve as a psychological boost on the basis that people feel they have benefited from any budget that does not impose a greater burden.

If there is a positive impact on the pocketbook, however marginal, the reaction tends to be highly favorable.

On the economic front, Sir John noted that domestic exports to the U.S. fell by seven percent in real terms last year, and shipments to the UK, West Germany and Japan slumped by 18 percent, 14 percent and 12 percent respectively.

"The decline in domestic exports to these markets was concentrated mainly in the second and third quarters of the year, as the impact of the earlier appreciation of the Hong Kong dollar was felt."

China, meanwhile, came to the rescue of the Hong Kong manufacturing sector, as domestic exports to the mainland rose by 32 percent in real terms, taking Beijing's share of Hong Kong's exports to 12 percent from eight percent in 1984.

But the signs in China, too, were depressing as the year wore on, and from a 96 percent year-on year rise in January, exports to China recorded a decline of 10 percent in December compared with the same month of 1984.

Perhaps the most disappointing aspect of the territory's economic profile last year was the pedestrian growth in domestic demand.

After the doom and gloom years of 1983 and 1984, Hong Kong's population was expected to indulge in a spending binge, but this was not to be, and private consumption expenditure rose only five percent in real terms last year.

The slow pick-up in consumption was reinforced by nil growth in retained imports during the first half of the year, although there was a recovery in the second six months, when retained imports grew by an estimated six percent.

In an effort to explain the mystery of stagnant consumption demand, despite a substantial growth in net wealth the previous year, Sir John focused on four factors:

--Part of the increase in income in 1984 was probably absorbed by the purchase of residential flats and acquisition of new shares.

--Some people appeared to be saving more.

--The slowdown in the population growth rate contributed to the slowdown in private consumption expenditure.

--Gross domestic product and, therefore, personal income, showed only modest growth last year.

Growth in government consumption expenditure was even less impressive than personal spending, at 1.5 percent in real terms. This was lower than the 5.4 percent recorded in 1983 or 2.4 percent in 1984.

This slowdown, Sir John said, reflected the government's policy "to restrain the growth of public spending in an effort to bring the budget back into balance and to avoid the public sector pre-empting too large a share of the resources in the economy."

Public and private sector domestic fixed capital formation, or fixed investment, fell by three percent in real terms last year, after rising by one percent the previous year.

For the current year, Sir John warned that forecasts were again subject to "great uncertainties," and while the general expectation was for continued growth in the world economy, "there is always the possibility that this expectation will not be realized."

He went on: "While Hong Kong's domestic exports to the world in 1986 are likely to more than regain the loss recorded in 1985, this is due more to an expected improvement in the export competitiveness of Hong Kong's products than to the expected increase in world trade activities.

"In this context, the movement during 1986 of the exchange value of the U.S. dollar, to which the Hong Kong dollar is linked, is likely to be the single most important factor influencing the export competitiveness of products from Hong Kong."

A strengthening of the U.S. dollar would drastically alter growth prospects for domestic exports, Sir John said, while for Hong Kong's domestic economy, the population's willingness to increase consumption and investment expenditure, particularly investments of a longer-term nature, "remains an uncertain factor."

/12929
CSO: 4020/238

NO 1986 TAX INCREASE REPORTED

Hong Kong TA KUNG PAO in Chinese 3 Sep 85 p 2

[Text] Financial Secretary Bremridge hinted yesterday that the Hong Kong government had no plans to put forth a proposal for tax increase next year. In light of the current revenues and expenditures, he estimated that there would be a balanced budget proposal next year.

At a brief press conference held by the Colonial Secretariat yesterday, Bremridge expressed his personal dislike for a tax increase. He would be unhappy if there were any proposition for tax increase in next year's budget.

He said: A fine economy is one reason for the increase in revenue of the Hong Kong government. In the first half of this year, a surplus rarely seen in visible trade has appeared in Hong Kong. He explained: The primary reasons for this remarkable achievement include: (1) A wide-margin growth in the trade indices involving the export of Hong Kong products to China and the use of Hong Kong as a transit market for China. (2) Hong Kong's adoption of a pegged exchange rate that is linked with the U.S. dollar.

Bremridge said: China has now taken the place of England and West Germany as the second largest market for the export of Hong Kong products. Especially when the economy of Hong Kong's major trade partners has not been as good as expected, the wide-margin increase of the export of Hong Kong products to the China market and the transit trade have been decisive factors for the fine economy of Hong Kong.

He further said: In the first half of this year, the land revenue in Hong Kong has increased by 1.5 billion yuan over estimates. However, because this is not a fixed revenue, the Hong Kong government cannot list it as a regular profit. Furthermore, the Hong Kong government needs a large amount to pay for the tremendous deficit incurred by the building of the subway. Also, a definite amount of the land revenue must be used to pay for the Class B land-exchange right documents. Thus, we believe that the actual revenue will not be a tremendous amount.

Bremridge continued: In spite of the growth in Hong Kong's Gross National Product (GNP), it will still be lower than the formerly estimated 7 percent. However, it will still be a proud achievement. As long as we compare ourselves to the situation of negative growth which frequently appears in the GNP of other countries, we will discover that Hong Kong is one of the few places in the world which has an increased GNP every year.

Bremridge maintained that the primary reason why the export of Hong Kong products was lower than the estimated growth was because of the weakening of the world economy. He further said that, on the 24th of this month, he would publicize the mid-term economic report, in which he would put forth a revised percentage of growth for the GNP.

9335
CSO: 4006/962

JOINT LIAISON GROUP TO EXAMINE HONG KONG'S GATT ROLE

HK270451 Hong Kong SOUTH CHINA MORNING POST in English 27 Feb 86 p 1

[By Michael Chugani]

[Text] Hong Kong's independent identity as an independent trading community in the international arena is likely to be a top item for discussion when British and Chinese diplomats hold talks here next month.

It appears British negotiators may persuade the Chinese to allow Britain to sponsor Hong Kong as an independent member of the General Agreements on Tariffs and Trade (GATT).

Although only sovereign states can be full members of GATT, the 90-member United Nations trade agency still allows any separate customs territory with trade autonomy to become an individual member if it is sponsored by its sovereign power.

While Hong Kong does not have that status now, it will however, be a separate customs territory under the 1997 agreement.

Experts, including the executive director of the Federation of Hong Kong Industries, Mr Laurie Mills, have urged that Britain, as the metropolitan power, sponsor Hong Kong as an individual member.

And it looks like this is exactly what the Joint Liaison Group -- a contact group of British and Chinese diplomats set up to oversee a smooth transfer of sovereignty -- will discuss when it meets in Hong Kong between March 11 and 14.

Hong Kong is now in GATT as a dependent territory of Britain. And China has declared its intention to rejoin GATT after an absence of 35 years.

Rather than Hong Kong becoming a part of GATT through China and therefore risk having to face trade curbs imposed on Beijing, British diplomats appear poised to take up the suggestion of local experts that Britain, the existing sovereign power, declare Hong Kong a separate customs territory and then sponsor its membership of GATT.

But the Chinese members of the [word indistinct] may feel this to be an implicit infringement of China's sovereignty over Hong Kong.

/12929
CSO: 4020/238

ANALYSTS PREDICT GOOD PROSPECTS FOR EXPORTS

HK260607 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 26 Feb 86 p 1

[By Mike Marray]

[Text] Analysts yesterday expressed continued optimism about the prospects for Hong Kong's exports in 1986, despite provisional trade figures just released which show the value of domestic exports for January to have fallen by 6 percent on the same month last year.

The figures, published yesterday by the Census and Statistics Department, show domestic exports for January at $10,530 million, a fall of $636 million on last year.

However, the Director General of the Federation of Hong Kong Industries, Mr Lawrence Mills, was quick to downplay the significance of the results.

He said January was traditionally a slow month and that it would be April or May before any trend for the year could be established.

"January is something of a special month, as it gets very close to Chinese New Year and the old textile year has just finished. So these two things in combination exert an influence on the figures.

"People try to beat the quota and get their goods away at the end of the year. it is not until we get the March and April figures that we will be able to see a trend.

"The fall of the value of the dollar may make our exports more competitive but, at the same time, may make raw materials more expensive so the two factors may balance out.

"I don't see the currency fluctuations as having too much effect, though it could have a positive effect if Hong Kong manufacturers can identify cheaper sources of supply," Mr Mills said.

Mr. K. T. Yu, an analyst at Chi Tung Investment, also said that the results should not be seen as too worrying.

"January is always a slow month and it is not very significant to compare these figures month-on-month.

"I would expect the export trend would be up in the second half of the year," he forecast.

Other statistics showed that the value of re-exports also declined by 4 percent, or $395 million, to $8,563 million.

Thus, taking domestic exports and re-exports together, the value of total exports, at $19,083 million, was 5 percent or $1,031 million lower than a year earlier.

The value of imports was $18,806 million, representing a decline of 2 percent or $313 million over the same month last year.

As the value of total exports was greater than that of imports in January 1986, the visible trade account recorded a surplus of $287 million, which was equivalent to 1.5 percent of the value of imports, compared with 5.3 percent in January 1985.

Commenting on these comparative figures, a government secretariat spokesman said that the decline in the value of domestic exports in January 1986, (compared with January 1985 and particularly with December 1985) was influenced by the rush shipment by manufacturers towards the end of last year.

This was to fulfill higher quota utilization rates for restrained textile items.

/12929
CSO: 4020/238

INCREASE IN TRANSIT TRADE DISCUSSED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 36, 9 Sep 85 p 1

[Editorial: "Rapid Increase in Transit Trade Is Good"]

[Text] Since the beginning of this year, the most outstanding characteristic in Hong Kong's foreign trade is the rapid increase in transit trade and the remarkable increase in its proportion. The figures published by the Statistics Office last week indicated a 41.4-percent margin of increase in the volume of transit export for the first 6 months, compared to the corresponding period last year. The percentage of transit export in the total volume of export increased from 37.3 percent to 46.6 percent. However, because the rapid increase in transit export and the decrease in the export of Hong Kong products happened simultaneously, and because the margin of increase in transit trade involving China's hinterland was relatively wide, some people feel that the excessive speed of expansion of transit trade is not good, and express the concern that Hong Kong will regress 30 years to an era of relying primarily on transit trade.

We should admit that the abovementioned manifestation of Hong Kong's foreign trade for the first 6 months is not good enough. This is because we can no longer sustain last year's wide-margin increase for both the export of Hong Kong products and transit export. Furthermore, the quantity and value of the export of Hong Kong products which can bring about relatively great economic results have dropped. However, we must point out that we cannot hold the expansion of transit trade responsible for this situation. The lack of vigor in the export of Hong Kong products is primarily due to the impact of the slowing of the western economy and the intensification of protectionism, and not to the increase in transit trade. Also, the rapid expansion of transit trade has in fact brought about the following advantages to the Hong Kong economy: (1) Promoted the continuous development of trade as a whole (the margin of increase for the gross volume of export and import in Hong Kong for the first 6 months has increased by 13.2 percent and 6.8 percent respectively). (2) Improved trade revenue and expenditure (it is estimated that the surplus from transit trade is definitely higher than the gross trade surplus). (3) Provided the banking business with more opportunities for monetary investment (by the end of June, the loans for commodity trade not handled through Hong Kong has increased by 10.5 percent over the end of last year, giving a wider margin of increase over the total amount of loans of the banking business). (4) Increased Hong Kong's transportation business (although the export of Hong Kong goods by sea transportation for the first 6 months has dropped, the total export and import volume has increased). (5) Increased Hong Kong's insurance earnings (the insurance fee for ocean shipping constitutes 0.3 percent of the price of the merchandise). In light of this situation, we can say that an important reason why Hong Kong's economy this year is still better than the other three "little dragons" in Asia is its thriving transit trade.

Statistics indicate that the value of goods sent to China's hinterland indirectly through Hong Kong in the first half of this year totaled 24,638,000,000 yuan, a 140-percent increase over the corresponding period last year. The value of goods sent from the hinterland indirectly through Hong Kong totaled 15,745,000,000 yuan, 18 percent more than the corresponding period of the preceding year. The percentage of transit volume to and from the hinterland through Hong Kong constituted 46.8 percent and 29.9 percent of the total volume of transit trade in Hong Kong respectively. These figures not only reflect the rapid increase in the transit trade of the hinterland and Hong Kong, but also the fact that the hinterland has become Hong Kong's most important partner in transit trade. We should point out that the strengthening of the relationship in transit trade between the hinterland and Hong Kong is beneficial to both parties. Through transit trade via Hong Kong, the hinterland can utilize the position of Hong Kong as an international trade center. This will include utilizing Hong Kong's sea and air transport facilities, utilizing Hong Kong's quick access to information, and utilizing the rich trade experience and widespread overseas trade relationships of the Hong Kong businessmen, which are all advantages to developing a world market for China's commodities and to more effectively importing the necessary products. For Hong Kong, in addition to the profits from transit trade operations, this relationship will enhance Hong Kong's economic stability. Thus, we can see that the strengthening of the relationship in transit trade between Hong Kong and the hinterland not only will increase Hong Kong's foreign trade dependence on China, but also will not affect the interests of other countries. Thus, the continuous development of this relationship is no cause for worry.

With the continuous implementation of the policy of opening to the outside world, the foreign trade in China's hinterland will definitely continue to develop. However, since the foreign trade infrastructure in the hinterland is still inadequate, and the inability in other areas to adapt to international trade will not change completely within a short period of time, the importance of transit trade via Hong Kong will continue. The current problem is, will the escalation of the importance of transit trade put Hong Kong's economy back to the 1950's-style dependence on transit trade for economic survival? If so, then there is indeed cause for worry, because it signifies the fact that some 30 years' effort to change a unitary economy to a pluralistic economic structure has been in vain. However, it seems that the possibility of this occurrence is small. This is because the position of transit trade is not necessarily consolidated by lowering the development of other undertakings, and especially not improved by sacrificing other undertakings. It can be expanded along with other undertakings. Even if the expansion of transit trade was faster than that of other undertakings, it still might not be a bad thing. This is because, as a service trade, the increase in value of the trading business is still relatively high in terms of the average number of persons employed. In addition, the further development of transit trade and the improvement of the position as a trade center are consistent with the objective conditions of Hong Kong's lack of natural resources but presence of a superior harbor as well as geographical location.

Hong Kong's transit trade will develop to a new stage. This is an exciting event. However, if we could strive for the synchronous growth in the export of Hong Kong products as well as further expand and spread out our scope of service, the results will be even more ideal. But of course, we must continue to work hard and conscientiously in this respect.

9335
CSO: 4006/962

AGREEMENT ON CITIC TAKEOVER OF KA WAH BANK SAID APPROVED

HK250535 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 25 Feb 86 p 1

[Text] Beijing authorities are said to have approved a draft agreement on the takeover of Ka Wah Bank by the China International Trust and Investment Corp [CITIC].

But the consent is said to be subject to certain conditions, sources close to the deal said.

One of the conditions is believed to be that the Hong Kong Government should guarantee the recovery of Ka Wah's doubtful loans.

However, government officials offered no comment on the subject.

Secretary for Monetary Affairs David Nendick said he could not comment on details of the negotiations between CITIC and Ka Wah.

He reiterated that an agreement on the takeover scheme will be signed in due course after a number of formalities are completed.

Some bankers said foreign banks with exposure to Ka Wah are still nervous over the bank's position in the absence of a firm legal commitment by CITIC to take over the bank.

They said the longer the negotiations take, the worse it is for Ka Wah because foreign banks lending to it may have to cut their credit lines or reassess the terms of the facilities provided their head offices find no progress in the takeover plan.

Foreign banks' actions may also have repercussions on other small local banks in the interbank market.

Therefore, the regulatory authorities are keen to see the deal finalized as soon as possible.

/12929
CSO: 4020/238

END

JPRS-CEA-86-031

24 March 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS-CEA-86-031

24 March 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

New Developments in Economic Reform, Contracts
(Liu Jingwei; FUJIAN LUNTAN [FUJIAN FORUM], No 9, 1985)........ 1

Economic Reform, Theory of Overall Balance Related
(Tian Jinghai; GUANGMING RIBAO, 28 Dec 85)........ 5

ECONOMIC MANAGEMENT

Yuan Baohua on Modernization of Enterprise Management
(Xiao Zhai; JIANZHU JINGJI [ECONOMICS OF CONSTRUCTION], No 12, 18 Dec 85)........ 10

Huai He Basin Economy of Today Examined
(Tian Xuexiang, et al.; LIAOWANG [OUTLOOK], No 42, 21 Oct 85)........ 14

Reform Work During Transition Period
(Li Shu; JINGJI GUANLI, No 11, 5 Nov 85)........ 18

Reform of Commercial Structure of Central Cities Discussed
(Zhao Erlie; RENMIN RIBAO, 3 Jan 86)........ 25

Priorities for Chemical Industry Raw Materials Discussed
(Zhang Hongwen; RENMIN RIBAO, 4 Jan 86)........ 27

Coping With Higher Prices for Raw Materials
(Zhang Wenying; FUJIAN LUNTAN [FUJIAN FORUM], No 10, 1985)........ 28

Sampling of Urban Economic Reforms
(Tang Qiusheng; SHEHUI KEXUE, No 7, 15 Jul 85)........... 34

Henan Enterprises Develop Lateral Economic Ties
(Li Haifu, Ji Shifa; RENMIN RIBAO, 9 Jan 86)............. 42

FINANCE AND BANKING

China's Financial Situation Rapidly Recovering
(BANYUE TAN [SEMI-MONTHLY TALKS], No 22, 25 Nov 85)...... 44

Caution Urged in Use of International Loans
(ZHONGGUO JINRONG [CHINA'S BANKING], No 12, 4 Dec 85).... 47

Compulsory Sales of Treasury Bonds Criticized
(MING PAO, 9 Jan 86)..................................... 51

Macroeconomic Control Over Foreign Exchange Urged
(Hu Xiaolian; ZHONGGUO JINRONG [CHINA'S BANKING],
No 12, 4 Dec 85)... 53

DOMESTIC TRADE

Hinterland Enterprises Set Up 600 Businesses in Shanghai
(JIEFANG RIBAO, 23 Nov 85)............................... 57

Shanghai's Quality Products Reach Entire Nation
(Xu Wenlong, et al.; JIEFANG RIBAO, 24 Nov 85)........... 58

Ningxia's Growing Domestic Trade Links
(Jiang Senlin; TIANJIN RIBAO, 4 Nov 85).................. 60

Briefs
Interior Exports Goods Through Tianjin 62
Shanghai Agricultural Trade Fair 62
Fourteen Open Cities Caucus 62

FOREIGN TRADE AND INVESTMENT

Chen Muhua Praises Shantou for Learning From Shekou
(Yang Zhicui; GUOJI SHANGBAO, 23 Dec 85)................. 63

Problems, Recommendations Regarding Technology Imports
(Meng Jixin; GUOJI MAOYI WENTI [INTERNATIONAL TRADE
JOURNAL], No 5, Sep-Oct 85).............................. 64

Minister Discusses Chinese-Japanese Trade Relations
(Zheng Tuobin Interview; JIEFANG RIBAO, 12 Nov 85)....... 69

Economic Cooperation With Brazil Growing
(Zhang Baoyu; GUOJI SHANGBAO, 23 Dec 85)................. 72

CITIC's Accomplishments, Plans for 1986
(Li Bida; GUOJI SHANGBAO, 23 Dec 85)..................... 74

Import Licenses Required for Steel
(GUOJI SHANGBAO, 23 Dec 85).............................. 76

Measures for Improving Overseas Labor Services
(Ma Jianchun; GUOJI SHANGBAO, 23 Dec 85)................. 78

Answer to Question on Foreign Economic Contract Law
(Sun Wenqi, Yao Xiaoming; GUOJI SHANGBAO, 23 Dec 85)..... 80

Petrochemical Exports Doubled During 6th 5-Year Plan
(Shi Hua; GUOJI SHANGBAO, 6 Jan 86)...................... 82

Chinese Crafts Exhibited in USSR for First Time in 32 Years
(Jin Zhigang; GUOJI SHANGBAO, 6 Jan 86).................. 84

Greater Variety Needed in Textile Exports to USSR
(Feng Tuo; GUOJI SHANGBAO, 23 Dec 85).................... 86

New Inspection Technique for Soviet Bloc Textile Exports
(Li Jian; GUOJI SHANGBAO, 6 Jan 86)...................... 87

China Undertakes Shipping Construction for Export
(Xiao Guogen; RENMIN RIBAO OVERSEAS EDITION, 6 Dec 85)... 89

Zhejiang Fulfills 6th 5-Year Plan Export Quota 1 Year Early
(Wang Xin; GUOJI SHANGBAO, 6 Jan 86)..................... 91

Guangdong Leads Nation in Foreign Capital Use
(GUOJI SHANGBAO, 6 Jan 86)............................... 93

Ningxia's Foreign Trade Achievements During 6th 5-Year Plan
(He Zhaojun, Hu Andong; GUOJI SHANGBAO, 6 Jan 86)........ 95

Export Commodity Transport, Administrative Bureaus Approved
(Zong Qingsheng; GUOJI SHANGBAO, 6 Jan 86)............... 98

Anhui Governor Discusses Province's Foreign Trade Potential
(Zhang Yeping, Mao Yongxiong; JIEFANG RIBAO,
27 Nov 85)... 99

Shanghai Expands Foreign Economic, Trade Operations
(RENMIN RIBAO OVERSEAS EDITION, 9 Dec 85)................ 102

Tianjin Makes New Gains by Adopting Open Door Policy
(Liu Fengxiang, Ji Xipu; TIANJIN RIBAO, 9 Nov 85)........ 104

Open Door Policy Boosts Heilongjiang Border Trade
(Zhang Chijian; RENMIN RIBAO OVERSEAS EDITION, 11 Dec 85)... 106

Tax Revenue From Foreign Trade Doubles in Shanghai
(Li Zhiyong; RENMIN RIBAO OVERSEAS EDITION, 8 Dec 85).... 108

Export Plans Fulfilled Ahead of Schedule by Fujian
(GUOJI SHANGBAO, 25 Nov 85).............................. 109

Briefs

PRC Corn May Enter EEC Market 111
UK To Build 6 Projects With Soft Loans 111

LABOR AND WAGES

Trade Union Participation in Politics Urged
(Editorial; GONGREN RIBAO, 20 Dec 85)..................... 112

Importance of Educating Trade Union Members Discussed
(Ma Shichang, Meng Qingyong; GONGREN RIBAO, 21 Nov 85)... 115

TAIWAN

Taiwan To Adopt New Measures To Attract Hong Kong Investors
(Paul Sham; SOUTH CHINA MORNING POST, 25 Feb 86)......... 118

Taiwan Exports Up, Imports Down in 1985
(CNA, 8 Feb 86)... 120

Briefs

Toyota Investment Approved 121
Foreign Exchange Reserves 121
Trade Down 121
Drafting Patent Protection Agreement 122

HONG KONG

Hong Kong Banking's First Year of Transition
(JINGJI DAOBAO [ECONOMIC REPORTER], No 3, 13 Jan 86)..... 123

NATIONAL POLICY AND ISSUES

NEW DEVELOPMENTS IN ECONOMIC REFORM, CONTRACTS

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 9, 1985 pp 48-49, 58

[Article by Liu Jingwei [0491 4842 4885]: "Restructuring of the Economic System and New Developments in Contracts"]

[Text] In the last few years, the party and state have established a series of correct guiding principles and policies and have taken a series of reform measures in the planning system, commodity circulation and enterprise autonomy which have promoted the rapid development of China's commodity economy. The development of the commodity economy will certainly bring new developments to contracts which form the legal manifestation of commodity exchange. Contracts have already become the most basic method to facilitate the participation of people in social and economic activities, and play a direct role in linking production, distribution and sales, and in satisfying the material and cultural needs of the people. This is not only reflected in the increasingly great scope for which contracts are now being used, but in the gradual growth of new contract forms that are developing through practice. The new contracts differ from the older ones, and have their own special characteristics. The following types of new contracts exist at the present:

1. Transfer of Land Rights Contracts

This type of contract is an agreement between the contracting household and other peasant households to transfer the right to contract for land. It is the result of China's implementation of the contract system of responsibility in agriculture and the development of rural commodity circulation. No form of land transfer was permitted in the past in China. Not even collective economic organizations belonging to the collective economy could freely transfer land rights. After the implementation of the land contract system of responsibility, a situation in which everyone divided up the land and cultivated it came into being due to the fact that the basic method of land contracting was one based upon population. On the other hand, because of an uneven distribution of labor power and capital, or shifts to other trades (such as transportation, commerce, etc.), some rural households did not contract sufficient amount of land to cultivate, while other households did not have the wherewithal to farm their assigned land. Therefore, the spontaneous appearance of methods of land transfer to correct this imbalance was inevitable.

Such contract transfers sometimes involve the transfer of all a household's land, and sometimes part of it. Some transfers are made for payment, others are free. But no matter what the form, the basic characteristic of transfer contracts is that they are based on and limited by the original contract.

First, the purpose of a transfer contract revolves around the right to contract one's labor on the land, not ownership over the land. It is the collective that owns the land in China's rural collective economy. Peasant households do not have the right to possess land. Peasant households only have the right to contract for the use of the land based upon an agreement between the collective and the commune member. Therefore the only thing that can be transferred is the right to contract out the use of the land. Ownership of the contracted land still belongs to the collective. Second, both parties involved in a transfer contract are peasant households who may be members of the same or different collective economic organizations. However, only the contracting household has the power to contract the land. Third, from the point of view of rights and obligations, the great majority of transfer contracts stipulate that the subcontracting household has to exercise the obligations of the original contracting household toward the state and collective. Therefore transfer contracts not only stipulate the rights and obligations of both parties, but also the rights and obligations that exist between the subcontractor and the state and collective. The major obligation of the subcontractor is to fulfill the original contract, including his obligations toward the original contractor and the state and collective.

In compensated transfer contracts, the subcontractor also has the obligation to provide the original contractor parity grain rations or cash amounting to the difference between parity grain rations and negotiated-prices according to the stipulations of the contract, as compensation for the right to subcontract and for the original contractor's investment in the land. At the same time, he has in addition to the obligation to fulfill the terms of his contract, the right to farm the land independently. He has, after "handing enough over to the state and leaving enough over the collective," ownership rights over all legally gained economic returns. Fourth, as for the contract's time limits, the term of the transfer contract is restricted to the time allowed the original contractor. Fifth, in making the transfer contract, the approval of the collective economic organization must be attained in addition to going through the usual contracting procedures (requiring an agreement, a pledge and a promise) before the contract is considered viable.

2. Scientific and Technical Cooperation Contracts

Scientific and technical contracts are agreements between the involved parties concerning scientific research, trial manufacture, technology transfer, technical information services and other scientific and technical activities. They form a new type of contract that has developed along with the increase of marketable scientific products and the beginning of the technology market in China. Since the reform of the science and technology system, various cooperative activities such as research on commission, trial manufacxture, technology transfer and the provision of technical information services have become increasingly numerous while scientific and technical cooperation contracts have become widely used.

This type of contract includes contracts for the commission of scientific research and trial manufacture, patent and patent-rights transfer contracts, and technical information service contracts. The results of the commissioned research and trial manufacture, the transferred patent rights and the technical services provided all share the characteristic of being the product of mental labor. Therefore, in terms of objectives, these contracts differ from the usual contract of commodity sale and labor or transport contract. In addition, the party that is to provide technical services, transfer technology and receive the test products resulting from scientific research, has the obligation to provide technical services, transfer the results of trial-manufacture (test-runs) of technical and scientific research and receive technical services or technology acocrding to the terms of the contract. The party that commissions research or trial manufacture has the obligation to pay the fee (utilization fee or price). In patent rights transfer contracts, the receiving party also has the obligation to maintain secrecy concerning the transferred technology (including blueprints and other materials), and cannot reveal or transfer information to a third party. Violators of this stipulation have the responsibility to pay compensation (namely, a responsibility for having divulged secrets). This is different from the average contract for which there are no restrictions after implementation.

3. Personnel Training Contracts

The personnel training contract is an agreement between an employing unit and a school (research institute) which provides for the training of specialized personnel by the school (research institute) for the employing unit. In the past, China's institutions of higher education admitted students on a command plan, in which students were recruited and assigned work in a completely centralized fashion by the state; no contract was allowed between the employing unit and student recruitment unit. This did not meet the needs of China's economic development and frequently led to the assignment of graduates out of their field and a shortage of specialized personnel in employing units. Now direct contacts are permitted between the employing units and schools (research institutes) to contract for personnel training.

The characteristics of personnel training contracts are: (a) the provider is uaually a school or research institute that also functions as a teaching unit; (b) the contract's objective is to cultivate specialized personnel in a certain specialty, which involves teaching, and therefore makes it different from the usual contract that provides for labor or transport; (c) the main obligations of the school or research institute are: to provide graduates for the receiving party, to provide the proper curriculum, guidance and supervision for its students, and to grant a diploma upon completion of studies. The school or research institute must provide room and board if required by the contract. The main obligation of the employing unit is to pay the required fees.

4. Travel Contracts

A travel contract is an agreement between a travel agency or other tourism unit and the tourist for the provision of travel services. Since the 3rd Plenum of the 11th CPC Central Committee, the scope of the rapid development of China's tourist industry has not only included dealing with a large increase of foreign tourists, visiting overseas Chinese, and Hong Kong and Taiwan compatriots, but also an increasing number of Chinese tourists as the people's living standards improve. According to statistics, 200 million people were involved in tours of 1 day or more in 1984 (JINGJI RIBAO 1 Jan 85). This has led to the development of new contracts that deal with rights and responsibilities that exist between the traveler and the travel agency.

The purpose of developing the tourism business in China is to meet the increasing material and cultural needs of the people, to promote friendship between China and the various peoples of the world, to expand the patriotic united front and to promote the unification of the motherland. Its major manifestation is in the provision of excellent travel services to enable the traveler to enjoy himself, rest, increase his knowledge and make friends. Therefore, the objective of the travel contract is to provide travel services. Travel services are different from other forms of labor services in that they are comprehensive services that often include food, lodgings, travel and touring. For the foreign, Hong Kong, Macao, Taiwan or overseas Chinese tourist, the agency must also take care of obtaining and inspecting visas, making customs, entry, exit, and residence arrangements, and provide information concerning customs taxes, currency exchange and health inspection rules. Most important of all are the touring arrangements, which require the labor of a tour escort or guide. Therefore, travel contracts differ from other contracts that provide only "room and board," because they are comprehensive service contracts that are responsible chiefly for the provision of "touring." The travel agency or other unit has the obligation to provide excellent travel services according to the terms of the contract and to employ competent guides or escorts. The guide or escort has the obligation to organize the travel, touring, entertainment and shopping itinerary of the tourist according to his needs and wishes, and to do a good job of interpreting and guiding, including explaining the route of travel, local customs and scenic and historical sites.

The traveler has the obligation to remit the stipulated fee and provide the necessary cooperation during the tour in order to ensure a smooth trip.

The above are the four contract types which have been widely adopted since China's overall economic reform, and are still playing a role. New contract types will surely emerge with the continued deepening of the overall economic reform and the development of the commodity economy. We should energetically inquire into and study the new situations and problems that have appeared in the process of the reform to improve contract legislation, consolidate the achievements of the reform and promote the development of the commodity economy in China.

12221/7051
CSO: 4006/344

ECONOMIC REFORM, THEORY OF OVERALL BALANCE RELATED

Beijing GUANGMING RIBAO in Chinese 28 Dec 85 p 3

[Article by Tian Jinghai [3944 3068 3189]: "Economic Reform and the Theory of Overall Balance"]

[Text] Over the 30-odd years since the founding of the PRC, and in recent years in particular, the theory of overall balance of the national economy has advanced in many aspects. But there are still many issues which have yet to be studied and explored. The most prominent of these issues, and the one in most urgent need of being solved, is how to adapt the theory of overall balance of the national economy to the new conditions resulting from economic reform.

Overall Balance and the Law of Value

There are two rather extreme viewpoints on this issue: 1) to transform plans which reflect overall balance of the national economy into special tools of the law of value, and limit planning to predicting market trends; 2) to use the law of value only in the context of proportionate distribution of social labor time, and transform the law of value into a law of proportionate social labor consumption. Both of these two viewpoints have established components, but neither of them conforms fully to the objective needs of a planned commodity economy. I think that, when planning and realizing overall balance of the national economy, it is necessary to rely on the basic laws of a socialist economy laws and the law of planned and proportionate development, but that they must not be separate from or antagonistic to the use of the law of value, nor can the law of value be used only in the context of proportionate social labor consumption. When using the law of value in the area of overall balance, attention should be paid to the following aspects: a lot of stress must be put on value balance, including the correct definition of value compensation and accumulation scope; under the circumstances of being able to achieve similar fixed goals in using various channels and producing various products, particular attention must be paid to practicing labor consumption economy; production must not be the be-all and end-all of overall balance, but market supply and demand contradictions and fluctuations must be considered fully, the market feedback mechanism must be stressed, consumption structural changes must promote production structural changes, and production structure determination of consumption structure should not be emphasized unilaterally; all economic levers on which the law of value depends to develop its role must be used comprehensively in order to promptly and flexibly regulate economic motion; using the market mechanism media of signals and stimuli, the social division of labor should be made more rational. To sum up, under the conditions of a planned commodity economy a major issue facing us is how to consciously use the law of value to achieve good overall balance of the national economy.

Overall Balance and Microeconomic Policymaking

This issue has emerged in the past few years along with the expansion of enterprise autonomy. At present, since enterprise jurisdiction has been generally expanded, how to correctly understand and handle the relationship between overall balance and enterprise microeconomic policymaking is becoming an increasingly prominent issue. Protracted practice has shown us that lack of enterprise autonomy does not favor but hinders overall balance of the national economy. The reasons for this are as follows: overall balance strives principally to achieve a correspondence between resources and needs, and the lack of enterprise authority to plan such activities as production, supply and marketing according to their controlled resource and need conditions and fluctuations may affect their correspondence; the lack of planned policymaking authority and the inability to promptly solve their various production management problems may cause enterprises to lose their inherent mechanism and power to achieve good microeconomic balance, it may also affect the achievement of good overall balance. Since the Central Committee is not as deeply affected by as many conditions and problems as are enterprises, its practice of overall balance often stresses certain aspects at the expense of others and results in uncoordinated economic relations. Correct enterprise exercise of planned policymaking authority, and planning of overall balance of the national economy based on it, will not only not conflict with, but will contribute to macroeconomic control. Of course, there will still be contradictions between expanded enterprise planned policymaking authority and overall balance of the national economy. The first reason for this is that their positions are different, with enterprises being limited by a narrow field of activity and unable to see the overall situation very clearly. The second reason is that their material interests are different, with enterprises often representing the interests of their own units and being unable to see the interests of the whole. Thus, overall balance of the national economy cannot be relaxed or even renounced due to expanded enterprise planned policymaking authority. Therefore, how to finally better link overall balance to microeconomic policymaking is an extremely difficult issue. At present, the principal conceivable solutions are as follows: 1. In exercising their planned policymaking authority, enterprises must take submission to state planning and management as a prerequisite; 2. The State should make specific stipulations on the limits and standards of enterprise activity; 3. In guiding certain enterprises, the State should employ "economic parameters" (or economic levers) to depart from the inclination toward overall balance. More and better methods must still be explored.

Value Balance and Material Balance

In a commodity economy, material product trends are an integration of product value fluctuation and use value fluctuation. Thus, overall balance of the national economy must include material balance and value balance. From the perspective of use value being the material transfer of value, value balance represents and reflects material balance. But in real life, the two are relatively independent. For instance, all such things as balance between total social supply and demand; total social product, national income, total resources and distribution; and accumulation and consumption proportions can only be converted into a single value form, and cannot be expressed in material form. Suitable relations between these high-level and comprehensive economic phenomena which are reflected in a value form can be called general overall balance. This is the most important and central part of overall balance of the national economy, and a major aspect which must be managed firmly and well. Some material form balance, and supply and demand balance between material variety and type in particular, can also use the value form and be expressed with currency as the yardstick. But material form balance is aimed principally at using the use value form, and is expressed with material as the yardstick. Suitable relations between these relatively low-level and single-product economic phenomena which are reflected in a material form can be called specific structural balance. This can be a component part of overall balance, but it is not as important as general overall balance. As long as general overall balance is achieved well, it can be a prerequisite for specific structural balance. Of course, realizing general overall balance is not the same as realizing specific structural balance. In fact, it is impossible to demand material balance of the whole national economy. This is due to the following: 1. There is a great material variety, which is hard to bring fully into line with overall balance; 2. Almost all material use value is multifunctional and highly replaceable, which also increases the complexity and difficulty of material form overall balance; 3. People's material choices vary, and it is very hard to adapt unified material form overall balance to this variety. Thus, overall macroeconomic material balance is not only difficult to achieve, but is also unnecessary.

Planning Balance and Realizing Balance

Overall balance must master and control the overall situation and deal with issues from the perspective of the interrelation between all sectors of the national economy and all links of social reproduction. Thus, when formulating overall balance plans, the state should consider the overall situation as much as possible. Its range should not only be limited to state-centralized management, but must also include that of management authority delegated to lower levels; it should not only include directive planning, but should also include guidance planning, and must even generally give appropriate consideration to full market regulation. Although the state does not make plans for full market regulation, it is not totally unrelated to state plans.

Thus, does an expanded range of overall balance limit microeconomic deregulation and stimulation?

The key to the issue is the need to differentiate overall balance when formulating plans from what means are used to organize realization of overall balance. The former traditional idea was that as soon as a product or an economic activity was brought into line with overall balance of the national economy, it was necessary to use the directive target form and administrative means to compel enterprises to implement it. Thus, a contradictory situation arose. On one hand, when planning overall balance, its range did not include the whole society, and unified planning with due consideration for all concerned was inadequate. In this sense, it can be said that "unification" was inadequate. On the other hand, when organizing and realizing overall balance, enterprises were compelled to act accordingly, which was excessive unification. Therefore, this situation was caused by confusing the unity and comprehensiveness required to formulate and plan balance with the flexibility and diversity needed to organize and realize balance. Our advocacy of considering the overall situation as much as possible when formulating overall balance plans is mainly a general consideration to help leading organs take an overall view and retain the initiative. But it does not mean that everything should be overunified, that enterprises should not be given essential autonomy and planned policymaking authority, or that directive targets should be imposed uniformly. Therefore, an expanded range of overall balance and microeconomic deregulation and stimulation are indeed not mutually exclusive.

Strategic Balance and Tactical Balance

The paired concept of strategic balance and tactical balance was raised as long ago as the late 1950's. At that time, planning the major proportional relations between agriculture and light and heavy industry was called strategic balance, and planning such technical proportional relations as how much iron ore, coke and power were needed to refine a ton of steel was called tactical balance. Later, these were seldom used. But in my view, it is still very important to stress strategic balance. Moreover, its specific connotation will also change as times change. New conditions of constant economic and technological development have required us to understand that we cannot be limited to practicing temporary, static and closed tactical overall balance alone, but that we must also practice long-range, dynamic and open strategic overall balance. Dynamic balance is comprehensively reflected as temporal coordination and synchronization of all interrelated parts of the national economy. This requires that particular attention be paid to the effect of improved technical standards on all interrelated parts of the national economy. Along with the vigorous rise of the new technological revolution, mankind will enter an "information society," the "goods economy" will be transformed into an "information economy" and, along with this, tertiary industries will develop at a faster rate than primary and secondary ones. Under these conditions, attention must be paid to balance between primary, secondary and tertiary industries. Moreover, faced with the prospect of increasingly extensive and frequent international economic and technical exchange and commercial intercourse, basing ourselves on domestic balance alone has become very inadequate. Some products, labor and technology which China does not need, or does not need so much of, can be exported in greater amounts and break into international markets. Some products and technology which China lacks can be imported from abroad in somewhat greater amounts. Certain enterprises which are in urgent need of development but lack funds can also use foreign funds. Under these conditions, we cannot be confined to closed, domestic overall balance, but must fully consider the development of and changes in foreign relations and carry out open overall balance. Only in this way can China's economy and technology develop in coordination and our national economic structure become more rational and modern.

12267
CSO: 4006/621

ECONOMIC MANAGEMENT

YUAN BAOHUA ON MODERNIZATION OF ENTERPRISE MANAGEMENT

Beijing JIANZHU JINGJI [ECONOMICS OF CONSTRUCTION] in Chinese No 12, 18 Dec 85 pp 2-3

[Article by Xiao Zhai [2556 5049]: "Yuan Baohua on Enterprise Modernization"]

[Text] At the third All-China Symposium on Management Modernization, Yuan Baohua [5913 1405 5478], vice minister of the State Economic Commission and chairman of the China Enterprise Management Association, pointed out: The promotion of the modernization of enterprise management is an important task in 1985. We are determined to greatly advance this undertaking this year, and to raise enterprise quality and economic results to new, much higher levels. He discussed four questions:

1. The modernization of our enterprise management must have Chinese characteristics. He said:

In all affairs we can find factors of similarity and factors of individual diversity, and so it is also with management. The management of socialist enterprises, the management of capitalist enterprises, and even the management of socialist state enterprises all have similarities as well as individual diversities. When we speak of Chinese characteristics, we necessarily refer to something of an "individual character" that is different from the great mass. What, then, are the special characteristics of the Chinese modernization of enterprise management? From the opinions presented by you, my comrades, at the symposium, we can tentatively conclude the following:

(1) Under the conditions of the public ownership of the means of production as our principal system and the coexistence of a variety of economic forms, our business operations are of flexible and varied forms.

(2) Business management is being carried out according to the principle of a planned commodity economy. The enterprises have to obey the directives of the state plan, but on the other hand have to have self-determination in their business operations, guided by the needs of the market.

(3) Centralized direction is integrated with democratic management. There has to be leadership authority as well as the assurance for all staff and workers that their status as masters of their own affairs will be upheld. It means implementation of a three-in-one combination, namely of leading cadres, technical personnel and workers.

(4) Effecting an integration of the interests of three parties, namely of the state, of the enterprise, and of the individual. This means to guarantee, on the premise of continuously increasing economic results in the enterprises, the rational distribution and continuous increase of state revenue, of enterprise funds, and of the income of the individual staff and workers.

(5) Firm persistence in ideological-political work in combination with the observance of the principle of distribution according to work, and with fullest stimulation of the enthusiasm of staff and workers. We must on the one hand create a work force of staff and workers who are imbued with ideals, with high morality, who have a good general education and a strong sense of discipline, and we must on the other hand accord with the principle of material benefits and guarantee a continuous improvement in the livelihood of staff and workers.

(6) An economic responsibility system, characterized by the linkage of responsibility, authority, and benefits, must also be one of the specialties of the Chinese enterprise management system.

2. The modernization of enterprise management is by nature a reform. Yuan Baohua emphatically pointed out that instituting the modernization of enterprise management means effecting reforms in all such areas as the ideology, organization, system, methods, and means of management. Modernization of enterprise management must therefore be considered an important component--indeed an important integral part--of the overall reform of the entire economic system.

The demand for an accelerated modernization of our enterprise management has been put forward precisely to meet the demand for a more thorough pursuit of the reform of our economic system, to meet the demand for opening up to the outside world and opening up world markets, and to meet the demands arising from the challenges of the new technological revolution. It was also put forward to meet the demand for a stronger vitality in our enterprises. Its fundamental objective is, therefore, to raise the quality of our enterprises, raise their economic results, and promote the development of the productive forces. The objectives in the modernization of enterprise management are therefore identical with the objectives of the reform.

3. Crucial for the success or failure in our modernization of enterprise management is the question of qualified personnel.

Modern enterprise management is built on the foundation of socialized large-scale production and rapidly progressing science and technology. If we do not have a sufficient number of qualified personnel, well versed in science and technology, and of managerial capabilities, it will be impossible to realize any modernization in our enterprise management. Our ability to nurture, discover, rally, and use qualified personnel will be the crucial factor that will determine whether our modernization of enterprise management will succeed or fail.

In the last few years, we have achieved large successes in the training of staff and workers, but still cannot by far satisfy the demands of our growing production and of our requirements in business management. On the basis of our total experiences, we must give close attention to the formulation of an effective and feasible training plan. We must be willing to expend a certain amount of capital and adopt effective measures to initiate a new overall situation in this area. Through a variety of channels, on several different levels, and by several different methods of instruction, we must create, as quickly as possible, in reliance on the big cities and of differing scope, a system of instruction for our staff and workers. We must also do a good job of importing intellectual strength and of sending personnel overseas for training. We must energetically strive to create, within not too long a period of time, a mammoth force of socialist economic management cadres, proficient in all departments and in a broad formation without gaps.

4. Accelerating developments in the modernization of enterprise management.

Management is an important resource, and the full development and use of this resource can mean achieving great results at a comparatively small price. For a long time past, people were insufficiently aware of the importance of management, a problem that up to this day has not yet been completely resolved. Practice has proven, that without corresponding progress in management, even the best of technologies cannot become fully effective.

In the last few years, much work has been done everywhere toward the modernization of enterprise management, and initial successes have indeed been achieved. However, generally speaking, we are presently still in the beginning stage, and with regard to certain localities and enterprises, we are even still at the rudimentary stage; developments have been very uneven. All our economic commissions and enterprise associations at all levels should consider the promotion of modernization in enterprise management as an important task, which must be conscientiously grasped firmly and effectively, with the support of the party committees and the leadership in the governments at all levels.

(1) We must conscientiously sum up experiences and effectively set up models and examples. Summing up experiences must not be merely a study of every case as it stands; we must be guided by theory and truly gain certain advances. We must formulate our plans in accordance with the different conditions in the various enterprises, and must not act in arbitrary uniformity. We must start out from the realities and in our action strictly concentrate on the objective of raising efficiency and raising economic results. We must not engage in formalism, adopt fanciful airs, or pay lip service, but must rather do solid down-to-earth work in effective experiments, let models be our guides, use the experiences of selected units to promote work in the entire area, and let the advanced units spur on those lagging behind.

(2) We must become organized and cooperate in a concerted effort. Management is a science, and it is also an art. Modern enterprise management is a new territory, involving even many more branches of learning. Our knowledge in this respect is still far from adequate. We are determined to strengthen the cooperative efforts of all parties concerned, the enterprises being the main

subjects in these efforts, determined to organize the strength of various different quarters, to enlist the cooperation of all those activists and comrades devoted to this line of work, who are campaigning for the modernization of enterprise management, who are working hard and doing solid work. We are determined to break down the barriers between trades and industries, expand our working force, nurture new rising forces, exchange experiences, learn from others' strong points to offset own weaknesses and to exert joint efforts, jointly probe and explore, jointly pave the way for further progress, all such efforts to be directed toward the objective of modernizing enterprise management.

(3) We must increase propaganda and arouse attention. The importance and urgency of promoting the modernization of our enterprise management is currently still not yet sufficiently understood by the people. We must increase propaganda and with the support of the press and the publishing industry do a good job in our propaganda and educational work, in order to broadly mobilize the strength of our society to promote the development of this type of work.

(4) The economic committees at all levels must cooperate with the departments in charge of planning, of financial affairs, of labor matters, etc., to give substantial support and assistance to our enterprises in their technological reforms, in the training of personnel, the importation of talents, and in management consultation, as we must also do a good job in guidance and service work, to benefit an even more effective promotion of the modernization of our enterprise management.

9808
CSO: 4006/658

ECONOMIC MANAGEMENT

HUAI HE BASIN ECONOMY OF TODAY EXAMINED

Beijing LIAOWANG [OUTLOOK] in Chinese No 42, 21 Oct 85 pp 9-11

[Article by Tian Xuexiang [3944 1331 4382], Shen Zurun [3088 4371 3387] and Guo Junzheng [6753 0689 2973]: "An Overview of Today's Huai He Basin Economy"]

[Text] Editor's note: China's economy can be geographically divided into three major regions--east, central and west. The correct disposition of the relationships among the three regions and the full development of their individual strengths and mutual horizontal economic relations to create a rational arrangement of the national economy are important strategic questions during the period of the Seventh 5-Year Plan.

The Huai He basin is typical of the central region. The purpose of this article is to provide material and opinions for reference use in the inquiry into and analysis of the region's economic development. [End of editor's note]

Make the Valley Thrive

This summer these reporters traveled across mountains and rivers from the Huai He's source in the Tongbo Valley to the river itself, covering a distance of over 10,000 li in 3 months, interviewing more than 500 people from all walks of life in order to answer this question: How can the economy of the fertile yet poor Huai He basin be stimulated to enable it to become the bridge linking east and west?

The Huai He basin runs through 182 counties and cities in the provinces of Henan, Anhui, Jiangsu and Shandong. Its total area is 270,000 sq km, of which 200,000 mu are arable, and has a population of 130 million people. It is second in the nation only to the Chang Jiang basin in terms of population and arable land. This area is one of China's major producers of grain, cotton and coal.

Except for a few industries in cities such as Xuzhou, Yangzhou, Fengfu, Huainan and Jining, there is virtually no real industry in the region. In 1983, the region's agricultural and industrial gross ouput value was 83.5 billion yuan, with an average of 642 yuan per person, which is only a little more than half the national output value per capita. The gross value of industrial output is only 39.5 billion yuan, for an average of 300 yuan per capita, whereas the per capital average output value in the Suzhou, Wuxi, and Changzhou areas in southern Jiangsu was 1,600 yuan, or 5 times as large. The figures for Beijing, Tianjin and Tangshan in the north were also several times greater than those for the Huai He basin.

The average income for the region last year was less than 300 yuan, compared to the national average of 357 yuan. The population of Shandong's Yimeng mountain region and of Henan was 1.7 million and 6.18 million, respectively, but the average per capita income did not reach 120 yuan. There are another approximately 10 million people across the region who are living in relative poverty. All 13 of Jiangsu Province's counties receiving financial subsidies are located in the region.

The many experts and scholars interviewed by the reporters believe that one of the main reasons for the poor showing of the Huai He basin despite its abundance of natural resources is the undeveloped state of its processing industries. Most of the region's natural resources consist of unprocessed primary products which are transported to neighboring developed areas. Local enterprise profits for reprocessing are low and the region is lacking in financial strength, which retards the development of culture and education in areas producing raw materials. This in turn, has a negative effect on economic development, forming a vicious circle.

The people of the Huai He basin have a strong desire to change this situation. The prefectural and city leaders met by the reporters were full of confidence. The secretary of the Lianyungang City CPC Committee, Luo Dongsheng [5012 2767 3932] said that: Lianyungang is the place of origin of nationally known "Huai salt", but because it produces primarily unprocessed coarse-grained salt, economic returns are quite low. This year the city has decided to take the strengthening of its coarse salt processing ability as a major measure in its efforts to increase economic returns. Many experts believe that future prospects for regional development in the Huai He basin are great, and that as long as the Central Committee provides policies and points out the correct direction, much progress can be made in the enrichment of the valley.

Henan, Anhui, Jiangsu and Shandong Provinces have frequently called upon scientists, technicians, experts and scholars to discuss overall plans to stimulate the region's economy.

The climate, hydrology and type of earth throughout the region are basically the same, as are customs regarding farming and cultivation. It has its own water transportation network, a series of ports on Haizhou Bay facing the sea, and a structured network for commodity circulation. After studying the matter, some experts believe that economically and geographically, the region is completely capable of being developed as an independent economic area, and that agencies should be established locally to be responsible for the creation of development plans for the overall development of the entire region and its economy.

Considering the region's natural resources, economic base and economic returns, many scientists and technicians believe that five key industries in the area must be developed first--energy, food processing, textiles, leather products, construction materials and tourism.

There are abundant coal resources in the Huai He basin with great prospects for future development. In the southern part of the region the reporters visited the 100-year-old Xieyi Mine. Mine Director Liu Mingshan [0491 2494 0810] told us that in the past the mine was considered as having been totally exhausted, but after the adoption of the policy in which "large mines lead small mines so that state and collectively-run mines can grow together," coal production doubled in 3 or 4 years. Major coal mining bases have been established now in the region at Pingdingshan, Huainan. Huaibei, Xuzhou, Chongzhou and Zaozhuang. In addition, work to construct a group of large- and extra-large-scale mines has been intensified. The mining area experts we interviewed expressed the belief that if the pace of construction and exploitation of mines is acclerated, more than 150 million tons of coal will be produced here by the end of this century.

With coal there is electricity. Many large-scale "kengkou" [mine-mouth] electric power stations could be built here. We visited the Pingyu Electric Power Plant in Huainan now under construction. The plant has the largest capacity single generator in China. Four generating units will be installed here, each with the capacity to produce 600,000 kW of electrical energy. According to the experts, the total capacity for the mine-mouth electrical power stations already built or in the process of being built in the region amounts to 5 million kW. By the end of this century, this figure will increase to 10 million, transforming the region into central China's largest energy-producing center.

With coal and electricity, coal and chemical industries can be developed in a big way. The establishment of the chemical industry will promote the growth of industrial accumulation funds for the entire region. The large volume of chemical fertilizer that can be produced will promote the development of agriculture, forestry and animal husbandry.

Some experts hold that energy is the "first-step industry" of the Huai He basin economic zone, and that the food-processing, construction-materials, textile and tourism industries are the zone's "acceleration industries."

Resources for the region's agricultural byproducts, fur, and construction materials are extremely abundant, and many varieties are unique to the area. In Shandong's Heze Prefecture we saw a kind of "Quinggao" [black lamb]. Its entire body was black and covered with a natural lovely pattern which cannot be imitated by human hands. Its skin was light and soft, and its fur was naturally curly. Called "Chinese slippery skin" abroad, its skin has long had a high reputation on world markets. However current processing capacity is decentralized and the necessary relevant technologies have not yet been developed sufficiently to meet export needs. Similar situations exist for many products in the food-processing, leather-working, and construction-materials industries. Quite a few scientists and technicians told us that the abundant natural resources of the Huai He basin are in dire need of processing. Gigantic economic returns could be swiftly gained if only we could improve scientific research, make the necessary overall arrangements and provide appropriate support.

The region also has wonderfully unique natural conditions for the development of the tourist industry. During our travels we saw countless natural and manmade scenic wonders. Yangzhou, Qufu and Xuzhou are all famous historical cities. The Gaoshan Shaolin Monastery, Huaguo Mountain in Lianyungang, and Jigongshan in Xinyang also contain sites of great natural beauty; the twelve nature preserves in places such as the Jiangdu Water Power Center, the Guazhou Ford, and three locks at Gongze Lake, the Nanwan Reservoir and Huangcanggu in Xiao County are quite unforgettable. These areas once inhabited by such past historic personages as Zhu Gelinag, Wang Yizhi, Cao Cao and Hua Tuo require only a little work in order to be opened up for tourism but most of them have not yet been fully exploited.

The leadership of many cities and counties hold this same opinion: The "five major industries" have already developed to a preliminary stage in the Huai He basin. The main reason for its slow development is that local governments and departments overemphasize their own individual self-interests, and lack an overall view of things. Therefore to accelerate the development of the "Huai He Basin Economic Zone" requires centralized planning and comprehensive development in order to make the region thrive.

12221/12948
CSO: 4006/330

ECONOMIC MANAGEMENT

REFORM WORK DURING TRANSITION PERIOD

HK Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 85 pp 17-20

[Article by Li Shu [2621 2885]: "How To Perform Reform Work Well During the Transition Period"--edited by Pan Shucheng [3382 6615 3397]]

[Text] This is the first year in the implementation of the "Decision of the CPC Central Committee on Reform of the Economic Structure." If it is said that rural reform has achieved enormous successes, then the reform of the economic structure focusing on cities has only made a start. Reform, as our country's overriding and formidable task, must overcome the triumph over the bondage of the old and ossified form of economic structure and customs and influences which have prevailed over the past several decades and we must explore many areas and various links. At the same time, the old structure, as a system, is still restricting and influencing on many sides the course of economic life and to a definite degree still plays the role of control and domination. In the economic structure, the new superceding the old is now in a crucial transition period. The experiences in the practice of reform of the economic structure in our country and in the reforms in many countries of the world have amply shown that the success or failure of reform is intimately related to our ability to deeply understand the special features of reform in the transition period and thereby establish a dialectical "reform outlook" to observe the times and weigh the direction of the various stages of reform, being firmly insistent in the reform but possessing a sufficient degree of flexibility and being both bold and adept in reform.

This being the case, what are the special features of the reform in the transition period between the new and old structures? In the light of these special features, what counter-measures should we take?

There can only be a general blueprint for the initial stage of the reform: concrete ideas should be perfected in the course of probing and creation.

The reform we are carrying out is a gigantic, unprecedented, undertaking and is in fact another revolution in our country. Due to reasons known to everybody, this reform has made a late start and we have not gone through sufficient study and preparation, but it has developed rather rapidly. This determines that the starting stage of the reform in the transition period can only be guided by roughly sketched general blueprints and there cannot be any integrated theory or ready-made plan, measure or policy. Each and every step of the reform must break the old and create something new and we must explore and go forward. This is the basic feature of the reform in the entire transition period. It must be pointed out that the "decision" of the 3d Plenary Session of the 12th CPC Central Committee has advocated for us a general blueprint for the establishment of a new structure for a socialist planned commodity economy with Chinese characteristics. This is an amazing creation. What the concrete model of a socialist new economic structure of Chinese style is like still needs to be perfected as we explore. That is, on the one hand, it is necessary to strengthen theoretical research and exploration work on the reform, and, taking steadfast direction of reform, revise concrete targets and steps and hold tight to the rudder so as to press forward; on the other hand, it is necessary to explore as we proceed in practice so that the formation of each and every policy is backed by theory and principally based on its social practicality; the emergence of each important reform measure must strictly abide by the principle of "everything having gone through experimentation," of making trials first, then summing up the experiences, and finally determining the policy. Since we are exploring, naturally risks are involved. We must thoroughly understand and implement the guideline of "being steadfast but careful in the first battle," and bring about the integration of a probing and creative spirit with a cautious scientific attitude. We must have deep faith in the reform, because the prospects and development of the reform really give us cause for optimism; but at the same time we must be fully ready for any difficulties that may emerge. Regarding any reform, particularly one with a bearing on the current interests of the populace, our "anticipation" must not be too high and room must be left for maneuvers. The extensive masses of cadres and people must be taught to understand that reform cannot be easily accomplished, nor can it be coaxed in with money. We must set up an ideology of long-term struggle and must have the courage, together with the state, to accept and triumph over difficulties. Only by so doing is it possible not to become self-contented when things develop smoothly or become crestfallen when facing defeat but to be firm and unshakable in the reform, and open the way forward.

Reform being the procedure of a movement, we must take small transitional steps as measures to advance forward

During the transition period, the economic structure is a unity of contradictory struggles between the "new" and "old" structures. The new structure wishes to play its role while the old structure intends to restrain it from doing so. In this kind of contradictory struggle, in the end the old structure can only be gradually replaced by the new structure. Hence reform measures in the process must manifest the correct direction of the reform and at the same time must be a completely practicable transitional measure suited to the environment of this kind of contradictory struggle. At the moment, in looking into the future prospects of the format, goals and strategies of the reform, it is doubtlessly important to broaden the people's vision and deepen their confidence in the reform.

But I believe that the difficulty of the current reform does not come mainly from the picturing of its prospects but from the devising and taking of practical steps of reform. Among the many realistic problems is for example the separation of government from enterprise functions: if we talk about direction or orientation, then "separation" should be correct, but if separation is to as "sever at one stroke," then it is liable to face many problems which are difficult to overcome. In recent years, some of our comrades have become accustomed to the practice of "severing at one stroke." It seems to have appeared to them that in reform we must follow the ultimate goal format and implement thorough reform but if we turn to "stage-by-stage format" or "transitional measures," then we may be liable to criticism for having done only "improvement" work and not reform. People fail to understand that adopting certain transitional measures in the reform procedure is in reality taking active measures to advance in small steps. In the next three to five years, reform of the economic structure can only adopt the "step-by-step format" with the objective of putting the basic economic conditions in good order. If we step out of bounds dictated by existing objective conditions and stubbornly seek to do the work which can only be done in the future or at the next step and take the "ultimate goal format" as the reform target for the current stage, then we would find it very difficult to proceed. Therefore, in the reform work we should focus on studying and finding the practicable reform steps to be taken, bring forth the "target format" for the current stage and formulate transitional measures of small steps or medium-sized steps. Only by so doing can we locate the "stepping stones" to cross a river, be able to see the opposite shore, watch our steps, and enable the various reforms in the plan to progress smoothly.

In reform during the transition period there can only be "small-scale coordination" of a local nature

Reform of the economic structure is an extremely formidable project. It not only requires carrying out wholesale reform in the various sectors, such as production, supply, marketing, personnel, finance and materials, but also necessarily touches on changes in the people's way of thinking, way of work, and way of living. Because the entire national economy is a consolidated entity, among the various economic activities there exist close and inseparable innate relationships. Very frequently, "moving a hair disturbes the whole body" and brings about chain reactions. This may cause difficulties to those sectors which have first carried out the reform. For this reason, measures in reform need to be coordinated to form a complete whole; otherwise, reform can hardly be carried out. But, we can readily see that this coordination process temporarily cannot be applied to the whole. To ask for a reform "from top to bottom simultaneously" and "from right to left at the same time" not only is not objective but also is impossible. Indeed, we should not blame one another if we find conditions of not having moved in step. In reform in the transition period, we can only seek a breakthrough in certain weak, loose or crucial links of the entire economic chain. It is only possible to reform a portion first and then turn to another portion. For example, rural reform comes first and urban reform next; reform of small enterprises comes first and the larger enterprises next; the coastal cities are opened up first and subsequently a gradual and strategic shift from east to west follows next. In undertaking reform during the transition period, we cannot anticipate the realization of a coordination process applied to the structure as a whole and cannot hope that all will proceed at the same pace but we should try our best to do so in a small way, or partially. When implementing a decision on reform from above, leadership cadres at various levels should never simply circulate the directive to be carried out, but should consider the actual conditions of their respective localities or departments and, within the scope of their authority and responsibility and in respect of the various phases that will be affected by the reform measures, carry out the various reform measures and attend to the necessary coordinations so as to enable the reform to progress smoothly and to achieve early results.

During the transition period differencds in reform are objective; it is nccessary to have initiative in reform and to plant foot firmly on internal reform

During the transition period, be it in regard to the time, or region or depth of the enforcement of the reform measures, disparities in the character of the reform are obvious. At such times, we frequently have come across cases of certain economic policies carried out in the special zones or developed areas being unsuitable for enforcement in the interior; or that typical experiences ascertained in experimental units are not in line with existing policies and cannot temporarily be put into operation, or that the economic development policies formualted by the provinces, municipalities and autonomous regions are not the same and may be dissimilar even in the cities and districts of the same province. In the course of the reform, the various regions cannot just sit and await policy-making from above. On the contrary, they should take due consideration of the actual local conditions and do away with those rules and regulations that have restricted the development of the productive forces and it is entirely appropriate to formulate policies beneficial to the reform and to opening up. Nevertheless, the policies and measures determined by the regions must be definitely beneficial to the state's overall leadership over reform. They must accept the state'e macro control and must conform with the interests of the structure as a whole. In undertaking reform in such a large country as ours, it is necessary on the one hand for regions and departments to display an enthusiastic and initiative spirit of reform, and on the other for the reform to be carried out under leadership guidance and in a planned manner. On the macro side, control must be strengthened but we cannot launch an "all-out attack on all fronts." For example, state policies formulated for the special zones and the developed areas can only be carried out in the special zones and developed areas; measures stipulated for trial in experimental units should for a time be allowed to confine their "blossoming and bearing fruit" on the spot.

During the transition period, we cannot place hopes for the reform on requesting special and preferential policies from the state but should pay attention to preforming a good job in the internal reform of the region or department. This is similar to the invigoration of an enterprise. It is of course important for the department in charge to streamline itself and to delegate power, but after power is delegated, invigoration of the enterprise principally depends on the invigoration of the internal factors of the enterprise and the quality of job done in its internal reform. Indeed, external conditions, no matter how advantageous, cannot be wholly counted on. This is true with an enterprise and is also true with a region and a department. Only in undertaking reform on one's own initiative and planting one's foot firmly on internal reform can the reform have vitality and produce results.

During the transition period, changes in certain concrete policies and measures are normal; the key lies in adopting a positive attitude and a firm direction for the reform

Recently, leadership comrades in the central government have repeatedly referred to the reform as being experimental. As such, it is naturally possible that on certain sides there are rights and wrongs, advantages and disadvantages, active elements and possibly certain passive influences. As a reform measure, what is important is that the correct, advantageous, and positive are in the leading position. We demand that the reform measures during the transition period be correct in direction and that there are no serious mistakes. Minor setbacks and inadequacies are unavoidable but mistakes must be promptly corrected. Hence in the course of reform, readjustment of certain concrete policies and measures of reform is entirely normal. We cannot confuse them with the past "incessant changes in policy" under "leftist" influence. This is because these readjustments are under the guidance of the new economic structure and have as their premise the invigoration of the economy and the development of the social productive forces; whereas the changes made by "leftists" were made on an ossified structure and their premise was "taking class struggle as the leading factor." The two sets of "policy changes" are diametrically different and the consequences they bring to the social economy and the people's livelihood are basically different. In the past, we tasted the bitter fruits of "policy changes," and whenever a new policy was created in reform, we would pray that it "remained stable for long." This fear of changes can well be understood. My opinion is that we should strive to make certain measures of reform now being implemented become relatively stable. Even if in the course of enforcement certain inadequacies are discovered, we should, provided they do not harm the situation as a whole, in general carry on as usual, at least during the year in question, and make the revision afterward. This should be true particularly where certain concrete regulations with a bearing on the interests of the populace are concerned. We should desist from issuing an order in the morning and rescinding it in the evening but it should be permissible to issue one this year and change it next year. This kind of "change" is not changing the direction of the reform and returning to the old road but is promoting what is beneficial and abolishing what is harmful, and the more changes are made the greater is the benefit to the development of production and the more beneficial to the basic interests of the masses. What is wrong with this kind of change?

We should tell the people that reform in the transition period cannot be perfect or free from any defect. Take for example invigorating the economy. Owing to the lack of experience and inability of the macro-economy to catch up for a time, it is quite possible that following opening up to the outside and invigorating the economy, some "confusion on a small scale" may result, and the development of commodity economy and opening up th the outside world may bring along certain passive influences. In addition, certain people may take advantage of the vacuum caused by the reform, sieze the opportunity to raise prices and engage in speculative activities, and so forth. All these can bring certain "dark sides" to the reform. To deal with conditions of this kind, we should be ideologically prepared and cannot be frightened on seeing the passive factors; nor should we mix the passive factors with the reform and erroneously come to the conclusion that the reform had brought them along. Neither should we take certain errors in the reform as unhealthy tendencies and oppose the reform altogether. It is necessary to draw a clear line between right and wrong. On the one hand, we should vigorously revise the inadequacies and imperfectness in the measures of reform and the concrete policies; on the other, we should clearly separate the main current from the branch current and clearly mark the borderline between the policy's own problems and problems from the outside. It is necessary to insist on the direction of the reform, lead the reform to develop in the midst of changes and advance in the midst of summing up the lessons gained.

During the transition period, it is necessary to place in the first place the establishment of new ideology and new concepts

We have often said: to invigorate the economy it is necessary to open up the country's doors so as to attract the technology, management methods, and funds of the developed countries; to enliven cities and towns, it is necessary to open wide the city gates and play up the many attributes and functions of cities; and to invigorate the enterprise, it is necessary to open up its factory gates and develop the horizontal economic relationships. At a time of the transition of the new and old structures, the old structure has left its mark on the minds of the people and the customary thinking formed is rather deeply rooted. To open up the people's minds, it is most important to have them thoroughly abandon the ossified and antiquated concepts and replace them with new ideas and new concepts. For example, we should correct the mental attitude of always following the beaten path and establish the concept of being courageous enough to create something new; we should insist on the rule of "developing the productive forces" in considering and handling problems and establish the concept of economic benefits; we must be able to stand in the midst of market competition to study counter-measures and establish the concept of opening up; we must dare to abolish traditional standard in employing people and the biases of the common customs and establish the concept of recommending only the talented; we must study measures as if we were thinking over systematic projects and must establish a concept of considering the situation as a whole; and so on. Here, we should especially emphasize the importance of establishing the concept of seeking truth from facts. To perform a good job in reform during the transition period, it is necessary to disregard what upper levels say or what the books say, but to regard "facts", and everything should start from objectively existing facts. To accomplish this is not at all easy. It requires unselfish courage, a firm belief and a scientific attitude. It is only through firmly establishing these concepts that we dare to face squarely and abolish the defects in the structure, that we are capable of judging and dare to copy modern management experiences of foreign countries, that we dare to break the "leftist" influences and biases, and start something new to be different, and that we are courageous enough to shoulder the burden of errors found in the reform, promptly rectify them and insist on the correct direction of the reform.

To do a good job in reform work during the transition period, leadership comrades at various levels, regardless of how busy they may be, should never consider a case as it stands, but must, from start to finish, give priority to efforts to stir up people's consciousness and enthusiasm for reform; we must perform ideological and political work in reform well and make it an enormous motive force. Only when our broad masses of cadres and people are in this ideological state of mind will it be possible for us not to stall before danger or shrink before difficulties, or change our direction before reputation and profit but smoothly carry out the work of replacing the old structure with the new and score an overall triumph in the work of reform.

/9738
CSO: 4006/644

ECONOMIC MANAGEMENT

REFORM OF COMMERCIAL STRUCTURE OF CENTRAL CITIES DISCUSSED

Beijing RENMIN RIBAO in Chinese 3 Jan 86 p 5

[Article by Zhao Erlie [6392 1422 3525]: "A Summary of the Symposium on Theories of Reforming the Commercial Structure of Central Cities"]

[Text] Last October the Institute of Commerce and Economics of the Ministry of Commerce convened a symposium on theories relating to the reform of the commercial structure of central cities in Wuhan, which focused on the position, function, and reform of commerce in large central cities.

Special Commercial Position and Role of Large Central Cities Stressed. Everyone believed that the city must be the center of the overall economic reform, especially the large, central city. Everyone felt that in order to give full play to the commercial role of large central cities, we must first regard commerce as a strategic focus of the economic development of these cities and build them into modern commercial centers for the entire nation as rapidly as possible. Second, we must gradually expand the role of large central cities as core areas, construct a nationwide network for commercial circulation and make the large, central city a fulcrum in the state's macroeconomic control of the country's markets. Third, we must emphasize and focus on commercial reform in these cities and gain experience in this work to apply to the rest of the nation.

New Commercial Administrative and Enterprise Management Systems Must Be Created. Everyone felt that to implement the separation of state and enterprise responsibilities requires reforming the commercial and enterprise management system, and replacing it with new a management system. Some comrades believe we must strengthen commercial management departments at the city government level, organize commercial management committees, and eliminate all commercial bureaus to the centralized control of social commerce by city government in order to sever the relationship of economic interest between commercial administrative departments and state-run commercial enterprises. It was the belief of some comrades that, given present conditions, we must strengthen the management function of the first-level bureau, because it will be difficult for commercial management committees to immediately begin direct management.

Everyone believed that the reorganization of city commercial companies must proceed realistically and with prudence. (1) We must distinguish conceptually between "administrative management" and "business management." City commercial companies have always primarily engaged in business management. Now that management rights have been handed over to governmental departments after the division of government and enterprise, business management in our fields needs to be improved even more. (2) Commercial enterprises are characteristically small, decentralized, and deal with a vast range of business. Without the centralized management of the city company, it will be difficult for the enterprise to coordinate in an overall way, the various problems relating to operations, planning, finance, training, and social welfare benefits, and the state will have no way to implement macroeconomic control. (3) Now that there has been a separation of the responsibilities of the state and enterprise in state-run commerce, we still need and organ to take up the responsibility of managing the means of production that are owned by the state. Until this role is filled, it would be best to allow the city company take up the responsibility. (4) As regards practice, since city companies were transformed into "management types," widespread weakening of professional administration became apparent and similarly the results of competition among grassroots enterprise have been poor. Therefore, we can streamline the city company and its personnel, decentralize, improve services for grassroots enterprises and reorganize the city companies based on the different characteristics of the different cities and industries. However, we must not blindly transform all of them into "business types" or dismantle them all.

We must further improve the wholesale network. Everyone approved of creating a diversified wholesale network for large, central cities. There must be wholesale activities in state-run, collective, and independent, private enterprises, and in commercial, industrial, and agricultural departments on a large, medium and small scale. There must be both overall and specialized wholesaling. There must be stations, shops, and markets that can conduct wholesale business. We should allow specialized, concurrent and combined wholesaling and all sorts of agents and trust operations. We must also welcome outside concerns to our cities to set up wholesale organizations, and must do the same on the outside.

The retail commercial structure must be rational, and the structure and management of networks must be given a legal Foundation. Most comrades believed that commerce in the large, central cities must not only serve local residents, but must also focus on providing a convergence point for visiting merchants and the transient section of the population. In particular, we must improve the construction of flourishing commercial districts adapted to the position of the large, central cities.

12221/12951
CSO: 4006/556

PRIORITIES FOR CHEMICAL INDUSTRY RAW MATERIALS DISCUSSED

Beijing RENMIN RIBAO in Chinese 4 Jan 86 p 2

[Article by Zhang Hongwen [1728 1347 2429]: "Give Priority in Raw Materials Allocation to Enterprises That Manufacture Quality Products and Get the Best Results"]

[Text] Tianjin (XINHUA)--This reporter has learned from the National Rubber Industry Conference which recently ended that the Chemical Industry Ministry has decided that from now on production and raw materials allocation in the rubber industry would be based on the product quality and economic returns of each enterprise in order to encourage enterprises to enhance product quality and increase economic results.

It was suggested at the conference that the goal of struggle for China's rubber industry during the Seventh 5-year Plan be to go after famous international brands and to seek to attain and surpass international standards. To realize this goal, the Chemical Industry Ministry will strengthen macroeconomic guidance and professional management over the 100 core enterprises in the rubber industry nationwide. A system of ranking in the rubber industry has already been set, and the relevant departments will appraise and categorize the enterprises according to product quality, balance between production and sales, and economic results. First-category enterprises will receive priority in arranging production and allocating raw materials in short supply; second- and third-category enterprises will find their production limited; raw materials in short supply will no longer be provided enterprises below the third-category level. The ministry also decided to rank rubber products according to quality, according unclear top prices for high quality.

Information provided at the conference shows that production is in good shape in China's rubber industry this year. Production of major products has already surpassed the planned quotas. However a tendency to emphasize quantity and speed at the expense of quality and results has appeared among some enterprises. Relevant persons have pointed out that the implementation of the above decisions of the Chemical Industry Ministry will aid in overcoming these unhealthy tendencies, and will stimulate enterprises to get better economic results and raise technical standards through competition.

12221/12951
CSO: 4006/556

COPING WITH HIGHER PRICES FOR RAW MATERIALS

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 10, 85 pp 38-40

[Article by Zhang Wenying [1728 4249 5391]: "On the Effect of Price Hikes for Some Raw Materials on Processing Industries and Policies To Deal with It"]

[Text] The Adjustment of Prices of Some Mining Products and Raw Materials Is Inevitable

There are many irrational elements in China's current price system, such as the unreasonable price rations between different products, especially the tendency toward low prices for certain minerals and raw materials, one of the most outstanding problems. For example, the price of iron ore is not even a as high as that of paving stones. The prices of pig iron and coal are also quite low. In 1983, the capital profit rate for the coal industry was -0.61 percent. Coal enterprises, most of which implement the centralized price policy of the state, are suffering losses.

One of the main reasons for the low price of some raw materials is a remnant from the old society--the irrational price structure created by imperialism in its ruthless exploitation of China's raw materials which were purchased at low price and sold at high prices. Since the establishment of the People's Republic, China continued to use this system, without making any fundamental changes. Another reason is to be found in a theoretical misunderstanding. During the 1950's China, under the influence of the Soviet viewpoint, did not admit that the means of production were commodities, and implemented a rigid system of price management without consciously utilizing the law of value to carry out reasonable adjustments.

These irrational price ratios have been detrimental to the development of the national economy.

First, it has been detrimental to the development of raw materials production. When the prices of raw materials are too low, production enterprises make no profits and even undergo losses, so that the greater the production the greater the losses. With the implementation of the policy under which enterprises pay taxes to the state in lieu of handing in their profits and are responsible for gains and losses, the enterprise first extracts development funds, floating wage funds, funds for bonuses and for welfare making sure that the amount estimated is lower than that for other departments. This has a direct effect on the economic interests of the enterprise and its employees and does not stimulate the vast ranks of staff and workers to further develop production. Also, as raw materials are an important element of production, the scope and speed of their development limit the development of other industrial departments.

Second, it is deterimental to the rational utilization of natural resources. Overly low prices for raw materials make it difficult for units that use them to improve their accounting, save on raw materials and lower the costs of their products, and also encourage the waste of natural resources during production. Nor can it encourage the enterprise to make technological improvements, utilize new technology, use substitute products, or raise the overall utilization rate of raw materials.

Third, due to the low prices of some minerals and raw materials, profits are small, which can even lead to losses and high-price, high-profit processed industrial goods. This distorted situation has a negative effect on the balanced development of the national economy, and hinders the smooth conducting of the overall economic reform.

In summation, low raw materials prices have created numerous problems in the national economy. Therefore, correcting price ratios among different commodities, raising the prices of some mining products and raw materials and gradually changing this irrational state of affairs are pressing tasks.

The Effect of Price Increases for Raw Materials on the Prices of Processed Industrial Products

The raw materials, fuel and pig iron necessary for industrial production all belong to the category of the means of production. The price of the means of production forms the foundation for commodity prices. Therefore the adjustment of price of some raw materials and mining products will inevitably have an effect on the product costs, profits and prices of industrial processing enterprises.

1. The effect on costs. Price is value in the form of currency. Commodity price can be divided into three parts: the value of already consumed means of production, or transformed value C; value V created by the laborer for himself; value M created by the laborer for society. Corresponding to this is the expression of currency as value--price, which is expressed as costs (C + V) and profit (m). In the material depletion aspect of cost (C), are included raw materials, fuel, electric power, and other depeletion expenses and the cost of fixed-asset depreciation. Depreciation cost is the annual entry of the value of machinery and equipment used in the course of production into product costs; therefore it is a fairly small proportion of the cost structure, approximately 3 to 5 percent, and has little effect on product costs. Whereas expenses involved in the depletion of raw materials are a large proportion of product costs, approximately 70 to 80 percent, and enter those costs all at once during the course of production. Therefore, when raw material prices increase, so the product costs of processed industrial goods.

It is just a Marx said: "The value of raw materials and supplementary materials enters immediately into the value of products which are manufactured as a result of their depletion, whereas the value of the various key elements of fixed capital is only figured according to the degree of their depletion, and thereby enter into the product gradually....The effect of the price of raw materials on the product is far greater than that of the price of fixed capital on product price. (Footnote 1) ("Capital" Vol 3, p 124)

2. The effect on profits. Product profit (m), is a manifestation of the value created by the laborer for society, and is a component part of price. Given unchanging processed product prices an increase in raw materials prices and costs will effect the level of profit, because increases and decreases in cost. When costs decrease, profits increase, and when cost increase, profit decreases. Therefore Marx pointed out: "It is quite clear that because the profit rate is $\frac{m}{C}$ or $\frac{m}{C+V}$, anything that effects the size of C or causes changes in the size of C, will also cause changes in the profit rate, even if the ration between m and V remains the same." (Footnote 2) ("Capital" Vol 3, p 122) What Marx is referring to here is the effect on profit when profit (m) and wages (V) remain the same. In fact, the total sum of wages in China during the recent few years has been changing, and forms such as piece-work wages have been increasingly used. Another thing that should be brought up is the competition among enterprises that results from the development of commodity production. With competition, the market is of supreme importance to the producer, and the growth of the market is in inverse proportion to commodity prices. In addition to not raising prices of some commodities as the price of raw materials increase, enterprises will even lower sales prices in order to capture the market. In this way, the profit rate will decrease rapidly.

3. The effect on the prices of consumer goods. As mentioned previously, an increase in the price of raw materials leads to increases in costs for processed goods, which in turn causes a decrease in profits for the processing industries if retail prices remain unchanged. If the rate of increase for raw materials prices is very high and exceeds the enterprise's total profits, material depletion cannot be compensated for in value after deducting wages. Under such conditions, if the enterprise wishes to maintain reproduction, it will either take energetic measures to reduce production depletion, or it will raise product prices in an open or disguised fashion. The latter method will inevitably effect the basic stability of market consumer goods prices, and thus be detrimental to the consumers' interests and social stability and unity.

Measures That Should Be Taken To Deal with Increases in Raw Materials Prices

Increases in the price of raw materials will lead to horizontal and vertical chain reactions in commodity prices. In order to avoid making the consumers pay for increases in raw materials prices and to ensure that the real income of the vast ranks of rural and urban residents will not decrease, the "Decision of the CPC Central Committee On Overall Economic Reform" clearly points out: "When the prices of some minerals and raw materials are raised, industrial processing enterprises must greatly reduce their usage, so that cost increases due to such price increases are basically absorbed within the enterprises. A small part may be resolved by the state lowering taxes to avoid raising market retail prices of industrial consumer goods." In a planned socialist economy, the state can take measures and the enterprises can increase their capacity for absorption to reduce or negate the effect of price increases for raw materials.

1. The expenditure of live labor and material depletion. By improving management methods, processing enterprises can further increase labor productivity, reduce the expenditure of labor and materials in production and increase economic returns. This is of great relevance to the absorption of some raw material price increases and cost increases. Judging from the state of affairs in China's processing industries, the level of material depletion is generally much higher than in advanced countries abroad. Taking energy consumption as an example, the amount of energy consumption necessitated by China's output is three to fourfold greater than Japan's. Discrepencies among industries of the same nature in different regions within China are also great. For example, an advanced chemical fertilizer factory might use 1,100 KG of coal to product 1 ton of synthetic ammonia fertilizer, while a backward plant would use 2,000 KG. This shows that enterprises have a definite capacity to absorb energy and raw material price increases in particular some newer industries, such as chemicals and electronics which have adopted advanced technologies, rapidly increased productivity and greatly reduced costs, are completely able to absorb price increases for raw materials, with energy to spare to reduce retail prices, open up markets and increase their competitiveness. However, the absorption capacity of some enterprises is limited, especially now that there is a intense demand on enterprises that manufacture consumer goods to absorb price increases for raw materials, which is frequently beyond the ability of many enterprises. In such cases, this type of method would not be totally reasonable. The capacity for processing enterprises to absorb increases in raw material prices can only be strengthened when all the various links in the processing industry can absorb and digest them.

2. Reducing taxes. Taxes form a component part of commodity price. Increases in raw material prices cause even more increases in production costs, reductions in profits and even losses for enterprises that manufacture low -priced products with a low profit margin. In order to avoid raising retail sales prices for industrial goods, the state can reduce or waive product taxes or revenue taxes, thus transforming taxes into profits to promote reproduction. The reduction and waiver of taxes can also take the form of returning adjustment taxes. In the past, quite a few processing enterprises in many areas were able to reap large profits from high-priced products due to their use of cheap labor and raw materials. This was an irrational shift, in the creation of value by enterprises that manufactured basic products. This "differential income" was necessary and rational before the price reform when taxes kept up with prices and were adjusted in order to remitt money to the state, and irrational prices were adjusted to reduce disharmony among enterprises. However, the situation has changed--raw material prices and production costs have increased. Some adjustment taxes should be returned in order to counter the effect of these price hikes, an

effect which is particularly great, as in the rate of material depletion in some regions where there is a concentration of processing industries such as Tianjin and Shanghia. For some time, management and administration in these regions has improved, as has labor productivity. They have acquired fairly advanced material depletion norms and their potential to lower costs has been limited. It seems that a large portion of the effect on cost of increases in raw material prices can only be resolved by adjusting taxes, that is by readjusting methods of the redistribution of profit.

3. Irrational price increases for raw materials must be avoided. The current reform of the price system is a structural one, and is based on the demands of equal-value exchange and the relationship between supply and demand, involving the increase of some irrational prices and the decrease of others. It does not imply an overall price increase. There is no exception for the adjustment of raw material prices. If all raw materials prices were uniformly raised, irrational differences in price relations would not only be impossible to straighten out, but increases in commodity prices would occur one after the other, and their consequences would be disastrous. Therefore the "Decision" refers to "raising the prices of some minerals and raw materials" and not all of them. However, the prices of some raw materials, which were not really too low, have been greatly increased, which has created difficulties for reproduction in processing enterprises. For example black pigment a major raw material used in the production of rubber products, requires 800 yuan to manufacture 1 ton. Its original retail price was fairly high 1,700 yuan per ton--and was later raised to 2,200 yuan, while the retail price of rubber shoes did not change, which resulted in 28 out of 33 shoe factories belonging to the Shanghai Rubber Co. undergoing financial loses as large as 84.8 percent. Rubber shoes are necessary items in the people's daily lives so profits have always been small. Because capacity to absorb price hikes in raw materials in the industry has been limited, enterprise production has gone down, which has led to short supplies on the market. Therefore we must follow the principle behind the structural reform in prices and avoid irrational price hikes in order to reduce pressure on processing enterprises.

This touches on some theoretical questions: Is value the decisive factor in socialist commodity price, or is it, as some people believe, the relationship between supply and demand? Also, there is the problem of a reasonable socialist profit rate.

I believe that the basis for setting prices ought to be value or its transformed state, while at the same time the relationship between supply and demand should be considered. The former is basic and primary, while the later is secondary. The two cannot be given equal weight, nor can the order of their importance be reversed. If they were, commodity prices would be totally under the sway of the market, which would inevitably cause drastic increases and decreases in price and lead to a state of anarchy in social production. This is inconceivable in a planned socialist economy.

At the same time, we must further study and determine theoretical prices and the rational social average profit rate required by social reproduction to provide the enterprises reference material for the setting of their prices.

If we do not, there will be no objective basis for determining and supervising the rationality and fairness of prices. This is terribly important today, because with the implementation of the overall economic reform, administrative streamlining and decentralization, the enterprise will have the power to set some prices, and price and profit are directly related to the interests of the enterprises and its staff. In such a situation some enterprises attempt to correct unhealthy styles of work not by improving management methods and increasing economic returns by reducing costs, but by raising prices to increase enterprise profits. This is destructive of normal economic functioning, and hinders the smooth implementation of price reform.

4. Adjusting industrial and product structure according to local conditions. In an irrational price system, price cannot provide correct information for production, and there are frequent shortages of some raw materials. However, when prices are low profits small, prices cannot stimulate the development of production, while some enterprises engage in blind production of processed products due to the high prices and large profits involved despite saturation of or over supply on the market. Therefore enterprises compete with each other for raw materials, or try to get by without them, there by intensifying contradictions in the supply and demand of raw materials,and leading to irrationality in the industrial and product structure of same areas.

Increases in raw material prices imply that the era of low-priced natural resources is over for processing industries., which creates a good deal of pressure on them. There are always shortages of necessary raw materials and energy in places such as Shanghai and Tianjin which do not have their own sources of supply. Difficulties will grow even worse if the product structure is not adjusted. Therefore places such as Shanghai should adjust industrial and product structure according to local conditions, and transfer, on one hand, some industries that consume much energy and materials to inland locations where there are sources of energy and markets to facilitate in the procurement of materials, avoid long-distance transport and get the maximum use and profit out of them. On the other hand, they should make full use of their unique, local advantages to construct new industries, and develop some first-rate new products that require little expenditure or materials or energy. At the same time, they could import advanced technologies, absorb and create new technologies, develop the exchange of technical commodities and use them to support the interior and eliminate poverty in order to promote economic development nationwide. In this way, both industrial and product structure can be rationally adjusted, while difficulties surrounding the increase of raw materials prices can be cast off.

12221/13068
CSO: 4006/345

SAMPLING OF URBAN ECONOMIC REFORMS

Shanghai SHEHUI KEXUE in Chinese No 7, 15 Jul 85 pp 13-15

[Article by Tang Qiusheng [0781 4428 3932]: "Cities Tackle Urban Economic Reform in Different Ways"]

[Text] The second information exchange conference on urban economic reforms in 15 cities was held from 11 through 14 June in Shanghai. It was attended by delegations from such sister cities as Tianjin, Beijing, Chongqing, Wuhan, Shenyang, Harbin, Nanjing, Guangzhou, Xi'an, Dalian, Qingdao, Changzhou, and Shashi, and a number of special delegations. They brought with them for our reference and enlightenment information and experience about reform in their localities.

Seven Basic Rules for Invigorating Large and Medium-Sized Industries

Shenyang went about enterprise invigoration aggressively. The core of its urban economic reform is a series of measures to simplify administration, delegate power, and liberalize policies, with spectacular results: many large and medium-sized enterprises have become more vital to various degrees. Seven basic lessons can be drawn from Shenyang's experience. First, modify one's business ideology and adopt systematic commodity economic concepts. This is an important prerequisite for invigorating an enterprise. Second, implement a factory director responsibility system and establish a leading group made up of pioneer and striving types. This is a basic guarantee for enterprise invigoration. Third, establish small accounting units and perfect all kinds of contracting responsibility systems. This is an important measure in enterprise invigoration. Fourth, tap the potential of qualified personnel to the full. This is a key to enterprise invigoration. Fifth, concentrate on one trade while diversifying into other areas. This is an effective means of enterprise invigoration. Sixth, speed up technical transformation and technical imports. This is a key strategy in enterprise invigoration. Seventh, develop horizontal economic and technical integration. This is a path enterprise invigoration must travel.

Based on its experience in its initial stage of reform, Shenyang believes its most pressing task right now is to ideologically unify the masses of workers, particularly leading cadres, further fuel their fervor for reform, boost their confidence in reform and zero in on the following four problems: first, correctly understand the dialectical relations between strengthening macroeconomic control and stimulating the microeconomy, and raise the public's consciousness of the need to vitalize enterprises under macroeconomic control; second, correctly understand the relations between reform, the open door policy, economic stimulation and stamping out new unhealthy trends; third, insist on realities as one's point of departure, have the courage to explore and innovate; fourth, further simplify administration and delegate power, continuously improving the external conditions for enterprise invigoration.

Bravely Explore Ways To Reform Industrial Managerial Organs

The Beijing municipality set about reforming industrial managerial organs in the spirit of the 3d Plenum of the 11th CPC Central Committee. This reform was based on the expansion of the autonomy of enterprises and revolved around enterprise invigoration. The municipality summed up lessons from successive reforms in the past, carefully analyzed the old managerial setups, and changed those aspects of it which impeded the development of productive forces and were not adapted to the new economic forms. The result is new managerial machinery which lives up to the demands of the overall restructuring of the economy and the role befitting a central city. Gradually an urban industrial managerial system which benefits economic stimulation as well as strengthens macroeconomic control is taking shape. The reform consists of the following steps and measures: 1) Continue to delegate responsibility to enterprises and the grassroots. Wherever power should be delegated to economic commissions, general companies (bureaus) and second class companies, this should be done firmly. The phenomenon of abrogating power to oneself should be quickly stopped. 2) Carry out reform pilot projects conscientiously. So far, pilot projects have been carried out in the managerial units of three bureau-level enterprises; the Chemical Industry General Company, the Textile Industry General Company and the Machine Industry General Company. 3) Units where pilot projects were carried out first solicited opinions and on that basis put forward reform plans for second class companies. They either restructured the companies or else proposed to abolish the administrative companies. This was followed by some hard thinking about the reform direction of the general company itself. In the first 4 months of this year, experimental reforms in the three general companies have obtained some preliminary results. Of the 27 second class companies under them, 23 were administrative companies. As of late May, 20 have put forward reform plans, of which 15 have been given formal permission to carry them out. Right now Beijing is organizing a relevant team (including economic experts) to draw up an overall plan for restructuring municipal machinery.

Reforming the Cadre Personnel System in Enterprises

Wuhan began by reforming the cadre management system, delegating cadre management power to every level and promoting qualified personnel flexibly in a variety of ways. Its cadre management reforms consist of five aspects:

1. Replacing the exclusive appointment system with a variety of measures to actively promote outstanding people. Wuhan has formulated reform plans for six cadre personnel procedures, including democratic elections, recruitment,

hiring, and self-recommended contracts. Self-recommended contracts, for example, are where the potential contractor comes up with a contracting plan for review by the party organization in the enterprise and workers representative conference. They will then select the best candidate who will be required to sign a contract. Whatever the method used, the city invariably takes the mass line extensively and taps people for leadership positions who are genuinely qualified.

2. Reforming the cadre employment system. Previously the state did the hiring. Now the enterprise can take the initiative in selecting its own workers. The cadre selected to fill a position in the authorized establishment of a unit does not have to go through the formalities that a state cadre does. His salary and other terms of employment will be appropriate to the level at which he is hired. When his employment period is up, he may continue to be hired or be dismissed, depending on his performance. If he is dismissed, he will not be allowed to keep his cadre salary and must return to his original post.

3. Abolishing the system of departmental ownership, reforming the cadre allocation system and admitting a large number of qualified people. First the city relaxed the conditions for the transfer of college graduates and professional, technical personnel to Wuhan, delegated the power to deploy personnel and simplified deployment procedures. Second, it set up an expertise mobility service center to act as a go-between for the rational circulation of personnel. Third, it encouraged the movement of professionals and technicians toward collectives and township and town enterprises with such mechanisms as selection, temporary transfer, recruitment, part-time employment, contracting and skills matching. Fourth, it absorbed specialized technical personnel from colleges, universities and research units in the Wuhan area with their high concentration of talent through negotiated transfer, temporary transfer, employment offers and part-time employment,etc.

4. Reforming the cadre management system so that enterprises can now manage people as well as affairs. Wuhan has delegated cadre management powers at every level, entrusting to enterprises the authority to name deputies, appoint and remove middle-level cadres, employ rank-and-file cadres and transfer them. In the process, the orders of the leadership of an enterprise are allowed to prevail.

5. Reforming the cadre assessment system by democratizing it. Wuhan experimented with a democratic cadre assessment system in a number of enterprises. A "democratic cadre assessment committee" was put together and the masses were widely mobilized to assess and evaluate the enterprises. The assessment was semi-annual. Whoever was judged to be outstanding four successive times was moved up one peg on the floating wage scale while whoever was rated substandard twice consecutively was either removed from his present position or dismissed and returned to his original production post.

In addition, the cadre personnel system in party and government organs was also reformed. A tenure system has now been applied to all cadres in organizations above the departmental level which are directly administered by the municipality. Finally, even the selection of the third echelon has been reformed to the extent that recruitment advertisements are now placed in newspapers.

The Establishment of Trade Associations To Strengthen Horizontal Integration

In restructuring its economic system, Chongqing actively explored the possibility of strengthening industrial management through the establishment of industrial associations and horizontal integration. The Chongqing Glass Industry Association is the first industrial group in Chongqing and also one of the country's earliest local industrial associations. Now that its association has 31 members, the municipality's glass industry has basically been organized and begun building up its horizontal connections city-wide and province-wide. From this experiment, Chongqing concluded that there are four advantages about the industrial association as a tool of industrial management. First, it breaks down local divisions and barriers and promotes horizontal economic integration. Second, it helps overcome the shortcomings of blurring the lines between government and enterprises, of government supplanting the enterprises, and of enterprises supplanting the government. It promotes enterprise vitalization and gives impetus to the Industry Bureau to simplify administration and delegate responsibility. Third, it spurs enterprises to cooperate to make up one another's weaknesses and advance together by converting the strength of a single unit into the strength of an entire industry. Fourth, it helps bring out the city's central function and develop intra-industry integration. An industry association should make the offering of good services its main objective and uphold the three principles of mass line, openness and democracy.

Establishing Enterprise Groups To Develop Urban and Rural Economies

A new breakthrough has appeared in Changzhou's urban economic reform and it took the form of industrial integration, a new way to organize enterprise production forces rationally. This new form of organization revolves around famous brands, good quality and new products and is buttressed by key factories. Voluntarily and on the basis of mutual benefit, enterprises come together and form multilevel groups which can take a multitude of forms and combine cities and villages. Urban and rural needs are the incubator of enterprise groups. Cities have products, technology, management skills and information; these are urban advantages. On the other hand, villages have factories, land, labor and capital. These are rural advantages. Combining these two sets of advantages gives rise to the strength of urban-rural integration. The Changzhou Electronics Industrial Company has successively set up six general factories, including those for tape recorders, electrical machinery, relays and potentiometers, capacitors and radio materials, and 33 branch factories. Total output value in 1984 amounted to 200 million yuan and net profits exceeded 30 million yuan, up 50.3 percent and 66.8 percent respectively over the pre-integration period. After the Changzhou Camera General Factory was set up, output shot up 10-fold in 3 years, reaching 190,000 in 1984, one sixth of the nation's output. It is now the country's second largest camera maker and the annual increase rate of its profits and taxes is more than 60 percent.

Establishing A New Market System

Through reform, Lanzhou has gradually perfected its market for means of livelihood, established a market for means of production, and opened up a technical information market, a capital market and a labor market. Thus a new market system suited to the planned commodity market is taking shape. First, it developed collective and individual enterprises and set up a trade fair. These enterprises were set up in accordance with the nature, magnitude and location of social needs. As of late 1984, there were altogether more than 20,000 individual industrial and commercial households in the city, involving 30,000 people, of which 1,300 households with 23,000 people were engaged in commercial operations. Second, it reformed the materials circulation system and established a market for means of production. Today 10 trade organizations for means of production have been set up, changing the old situation in which the allocation and distribution of goods and materials were excessively controlled, where the distribution system was overly complicated and where fees were collected at every level. As a result, the circulation of goods and production were promoted, with particularly positive effects on the growth of small and medium-sized enterprises, street enterprises and township and town enterprises. Third, it promoted the commercialization of science and technology and established a technology market. The commercialization of science and technology requires the establishment of a technology market, which, in turn, accelerates the conversion of scientific achievements into economic achievements. So far the technology market has already resulted in 80 deals involving technical achievements. Fourth, it established a capital market. Capital is raised in four major ways: internally in an enterprise by its workers who buy its shares; raising capital from among members of the public; using capital to benefit laborers, who then contribute capital through employment; and cooperative operations for mutual benefit. Fifth, it established a labor market in accordance with the objective requirements of a planned commodity economy. According to incomplete statistics, there are now over 50 service stations in Lanzhou which help people find all kinds of temporary jobs. There are also several labor markets where workers directly offer their services to prospective employers without an intermediary. The development of the labor market has definitely helped satisfy the needs of urban residents for different services. It constitutes a new way of merging the circulation of labor with the means of production.

Establishing A Three-Dimensional Science and Technology Market

Tianjin has made acceleration of the pace of reforming the scientific and technical system, full development of its science and technical market and expansion of external and internal technical exchanges an important part of its urban reform. So far Tianjin has established 171 science and technology trade organizations, which have been instrumental in arranging all manner of consulting work for 260,000 people, of whom over 10,000 are engineers or above. Transactions in the technology market come in all guises, depending on their characteristics and needs. A scientific achievement may be made over once and for all. The profits derived from an achievement may be divided according to some formula. Some scientific research units have gotten together with production units for joint development. Some enterprises have been inviting tenders to undertake research on certain scientific topics.

Large-scale scientific equipment is being leased for use for a fee. Scientific and technical information is being circulated and so on and so forth. This wide array of scientific technical transactions has made the technology market more and more active. Because of the city's efforts to nurture the growth of the market at various levels and in so many forms, the market has developed three-dimensional features, vigorously promoting the integration between science and technology, on the one hand, and production, on the other; shortening the time it takes for scientific and technical achievements to be transformed into productive forces; and helping many scientific and technical achievements find a home where they can be put to practical use, with remarkable economic results. According to incomplete data, the total volume of business of 56 scientific and technical trade organizations has amounted to more than 100 million yuan. During its first year of operations alone, the permanent science and technology market already had 1,400 contracts to its credit, including the transfer of technology and technical consulting, with a total value of 15 million yuan. Preliminary estimates are that when these projects are put into operation, they will boost economic results by 180 million yuan.

Integrating Industry and Trade To Yield Good Economic Results

In a pilot project in industrial and trade integration, Qingdao decided that the Qingdao Textile Joint Import and Export Corporation (abbreviated hereafter as the "Qingdao Textile Corporation") should integrate industry with trade, integrate imports with exports, concentrate on export and import processing, calculate its prices in accordance with international prices and be responsible for its own profits and losses. The project eliminated the shortcomings of the existing foreign trade system and brought to light the advantages of the new system of industrial and trade integration. Now that enterprises are directly involved in negotiations with foreign businessmen, they are better placed to understand international market information and modify their products in a timely way and be more adaptable in order to continuously expand their product line. Since going into the business of processing with imported materials in 1983, the Qingdao Textile Corporation has made use of the advantages afforded by industry-trade integration to import raw materials lacking at home. Consequently, not only has it come up with new products, but it has also upgraded product quality and become more competitive. It has taken pains to increase the extent to which export cotton cloth is processed and expand its proportion of printed and dyed cloth. Because of changes in product mix, the unit price of cotton cloth has gone up. As an economic entity where politics and business are kept apart, the Qingdao Textile Corporation enjoys a certain measure of autonomy in managing its own business and there is relatively little administrative interference. The integration of industry with trade shortens the chain of command, reduces the number of personnel involved and increases efficiency. It is superior to the old foreign trade system in its ability to earn foreign exchange, lower the cost of earning foreign exchange, speed up the rate of capital turnover, reduce the costs of circulation, increase profits and so on.

Opening Its Door Wide To Welcome Foreign Businessmen

To promote joint enterprises and stimulate its economy, Guangzhou has broken down regional barriers and open its door wide to admit outside businessmen into the city to do business and set up enterprises. As of late 1984, 627 outside enterprises have been allowed to register in Guangzhou, with a combined registered capital of 150 million yuan. Guangzhou has liberalized its policies toward outside businesses and adopted preferential measures. As far as the scale of foreign businesses is concerned, they used to be limited to retail outlets and showrooms. Now companies, branch companies and buying and selling departments are allowed. When an investor from out of town wants to build a factory in Guangzhou, he can directly apply to the municipal Industry and Commerce Bureau instead of going through the municipal government. Other measures have also been taken to solve the problems of site and land to make things as convenient as possible for investors. Experience shows that not only is the entrance of foreign investors in Guangzhou no impediment to the development of the municipality's economy, but it has actually been a boon to it. It has contributed to its social and economic results in six ways: introducing advanced technology and equipment and channeling them to the interior; supporting economic development in the less advanced areas; opening up a new path for the development of science and technology and the training of expertise; breathing life into a host of enterprises and fuelling industrial development; opening up markets for unpopular products suffering from sluggish sales as well as good quality well-known products through all kinds of joint operations between industry and commerce, and between industries; shortening the circulation chain, speeding up the movement of goods and clearing up goods circulation channels.

"Eight Changes" To Stimulate the Real Estate Market

In restructuring its urban economy, Harbin has put forward 40 reform ideas to stimulate its real estate economy. The kernel of its program is to externally open up the real estate market and stimulate the real estate economy, and internally strengthen the vitality of enterprises and stimulate real estate management. Briefly this involves effecting eight changes:

1. From control to management. In the past, the municipality was content to run a small number of public buildings. Today it has liberated itself from that little world and oriented itself squarely toward the entire municipality, the entire province, the entire society, and to tackle both internal and external markets. In the process this former small real estate operator has become a large real estate manager.

2. From a welfare system to commercialization. The government has now made a break with the old system, unchanged for many decades, in which housing was allocated without cost and rent subsidies were doled out. This has been replaced with the commercialization of housing and land.

3. From the supply system to functioning as enterprises. Real estate units must get rid of their longstanding indifference to costs and accounting and their reliance on subsidies. Now they must become accounting units and

economic entities with their own independent accounting systems, and responsible for their own profits and losses.

4. From a single line of business to multiple forms of business. The old phenomenon of a handful of people running a few buildings and living off rents must come to an end. There should be a fixed number of staff members each with specific tasks.

5. From monopoly to competition. The old official monopoly, which gave the government the sole right to buy and sell, has given way to competition among a number of operators all striving to be the best.

6. From bureaucratism to a service orientation. The former mentality was one of control and of keeping the tenants in check. In the new mentality, tenants come first, a good reputation is considered a top priority, and there is a wholehearted commitment to serving the people.

7. From the merging of government and enterprises to simplifying administration and delegating power. Previously power was concentrated in leading organs, which had an adverse impact on grassroots initiative. Now this has changed. Organizations are simplified and tasks which belong to enterprises and institutions are decentralized. Bureaus are to exercise only governmental functions.

8. From the issue of administrative decrees to the offering of coordinating services. Leading organs must no longer act as powers around which grassroots units must revolve. They must serve the grassroots.

12581
CSO: 4006/371

ECONOMIC MANAGEMENT

HENAN ENTERPRISES DEVELOP LATERAL ECONOMIC TIES

Beijing RENMIN RIBAO in Chinese 9 Jan 86 p 2

[Article by Li Haifu [2621 3189 3940] and Ji Shifa [1213 0013 3127]: "Henan Enterprises Successfully Develop Lateral Economic Ties; Implement a Policy of Preferential Treatment; Adhere to the Principle of Voluntarism, Mutual Benefit"]

[Text] Zhengzhou (XINHUA) 8 Jan 86--Last year Henan Province implemented a successful policy of preferential treatment to encourage enterprises based on the principle of voluntarism and mutual benefit, to use diversified methods to develop abroad lateral economic relations. By the end of December over 3,000 alliances were organized across the province. Nearly 10,000 enterprises sought economic ties with every province, city, and region nationwide, giving new life to Henan's economy.

Henan Province is located in the central plain and has an abundance of natural resources and convenient transportation. However its industrial base is weak. In particular, the narrowminded economic thinking of the small peasant has hindered its economic development. People in the province fear allowing any benefit to go to outsiders, and do not trust importation and lateral ties.

As a result, equipment in some enterprises has been backward for some time. Some places hoard their precious natural resources and rely on finance departments to make up for losses. In their analysis as to why some model enterprises in Zhengzhou, Anyang, and Loyang could develop lateral economic ties and show sudden increases in results starting from almost nothing, the provincial CPC committee and government discovered that the broad development of lateral economic ties and the utilization of the advanced technology and funds of each region was a shortcut in revitalizing Henan's economy. Therefore, the provincial CPC committee and government have encouraged all enterprises to invest an open factories in Henan on a cooperative basis, and have taken various strong measures to really allow the enterprise to become a relatively independent economic entity, to enhance motivation and pressure to maximize strong points minimize shortcomings, and follow the path of integration to allow for a flourishing growth of lateral economic ties throughout the province.

Organizing the distribution and complete coordination of spare parts and focusing on well-known, high-quality and new products is the major form of seeking lateral economic ties in Henan Province. Some technologically advanced large and middle-sized core enterprises, have, by developing lateral economic ties, have widely distributed some spare parts and low-grade products for entire machines. Without increasing investment, factory size or personnel, they have expanded production capacity and have the ability to develop new products. The Anyang Forging Equipment Factory is an advanced enterprise that produces a 150-jin pneumatic hammer. By working cooperatively with eight enterprises, it has expanded production in parts casting for these enterprises, increasing production volume greatly. In 1985, its output value grew 22 percent over the year before, and profits increased 56 percent.

Opening up the technology market and engaging in diversified compensated import and export is another method the province is using in developing lateral economic ties. Alliances for scientific research have been set up in a number of places. Methods such as compensated technological transfer, monitoring prices and buying shares and contracting for technology, and employing and organizing technical consultant groups have permitted direct integration of scientific research and production, and have promoted technical progress in enterprises. The Shan County Electronics Factory was originally a small plant that manufactured agricultural transformers. It had tried to change its production twice, but did not succeed due to lack of technology. After linking up with 11 units of scientific and technical research in Beijing, Xi'an, and Loyang, it developed 8 new technologies of which 3 won awards from the ministry, province, and prefecture. It also developed seven new products of which the aluminum silicate fire-resistant fibre carpet won the National Golden Dragon Prize. Profits realized in 1985 grew more than 40 percent over the year before. After linking up with a scientific research unit, the Loyang Mining Equipment Factory completed 6 systems and more than 20 new product designs that meet regular specifications, have created and tested technologies and put into trial production 7 new products, 2 of which are up to national standards, greatly increasing the enterprises's overall economic returns.

The development of lateral economic ties has also opened new routes for making up for deficiencies in and the rational utilization of capital, energy, and raw materials throughout the society. The canned asparagus produced in the Lohe Food Products, General Canning Plant sell very well in international markets. By linking up with the peasants, they have created a more than 5,000 mu asparagus-growing base, basically resolving the problem of the insufficiency of raw materials.

12221/12951
CSO: 4006/556

FINANCE AND BANKING

CHINA'S FINANCIAL SITUATION RAPIDLY RECOVERING

Beijing BANYUE TAN [SEMI-MONTHLY TALKS] in Chinese No 22, 25 Nov 85 pp 22-25

[Article: "China's Financial Situation Is Rapidly Recovering; Current Events Studies, Part Four"]

[Text] "The task of making a fundamental turn for the better in China's financial situation has already been basically accomplished." This is exciting news and an important result of the smooth readjustment and energetic reform of China's economy.

The state's financial situation is an overall reflection of the development of the national economy. The rapid improvement in the financial situation shows that the national economy is developing well. In recent years, along with the comprehensive implementation of reform and the development of the economy, we not only put a thorough end to the situation of the past few years in which state revenues steadily fell, creating a fairly large deficit, but also basically balanced state revenue and expenditures for 4 years in a row. This year we may even balance the budget. This demonstrates that China's economic resources have really been strengthened, and that there is light at the end of the tunnel for the state's finances.

The rapid recovery of the financial situation is primarily manifested in the shift from a continuous, yearly decline in revenues to a large, steady increase. In the 3 years from 1979 to 1981, in order to implement the four-point principle of "readjusting, restructuring, consolidating and improving" state financial organs have spent large sums of funds to resolve longstanding problems, especially those remaining from the 10 years of chaos, and the temporary appearance of a continuous decline in state revenues. In 1979, state revenue (the domestic part, the same below), fell 4.8 percent from 1978; in 1980 it fell 2.3 percent from 1979 and in 1981, 2.5 percent from 1980.

With the implementation of the four-point principle in the national economy, China's economy has begun to recover. The state has, at the same time, taken a series of measures to concentrate capital, increase revenues and reduce expenditures. Beginning in 1982, China's finances started on an upswing from its prior lowpoint of declining revenues for several years in a row. In 1982, state revenues increased 6.6 percent over the year before; in 1983 they increased 11.7 percent over 1982, and in 1984 the situation was even more encouraging as state revenues grew 21.1 percent from 1983, reaching the sum of 146.5 billion yuan, and attaining the norm set for 1985 in the Sixth 5-year Plan 1 year in advance. From January to September of this year, state revenues increased greatly compared to the same period last year. It is estimated that the total increase for the entire year will reach approximately 170 billion yuan. Judging from these large steady yearly increases in state revenues, China's state revenues have entered upon a new stage of stable growth. Another reflection of the recovery of China's finances is the reduction of the deficit. After 4 successive years of a basic balance of revenues and expenditures, the deficit may be ended this year. In 1979 and 1980 when the readjustment of the national economy had just begun, the financial situation was poor and respective deficits of 17.7 billion yuan and 12.75 billion yuan were seen. The central authorities took these huge deficits, which were unprecendented since the establishment of the PRC, very seriously. Beginning in 1981 the CPC Central Committee took a series of emergency measures to readjust the economy and reduce expenditures, measures which achieved good results the same year. Although state revenue that year fell from the prior year's level, the deficit was reduced to 2.55 billion yuan, achieving a fundamental balance between revenues and expenditures. In the following 3 years, the deficit was 2.93 billion yuan in 1982, 4.35 billion yuan in 1983 and 4.45 billion yuan in 1984. A basic balance between revenues and expenditures was maintained for 4 successive years. This year we may wipe out the deficit and attain a balanced budget.

China is a developing nation in the midst of large-scale economic construction. Although there have been fairly large increases in state revenues every year, financial expenditures must inevitably increase along with the development of the economy and the increased demand for capital in all spheres. Given such a situation, it will be an important achievement if state finances are not only basically stabilized, but the deficit is eliminated this year as well. This achievement of ours has elicited the attention of people abroad. An article appeared in the July 16 issue of this year's NEW SWISS NEWS from Switzerland, one of the financial centers of the world, entitled "The Attractive Potential of China's Finances," which warned foreign financiers that China possesses "gigantic financial potential."

There is another important basis for saying that China's financial situation has rapidly recovered--the daily improvement of the structure of our financial expenditures which provides a reliable foundation for our revenue.

Overall, we have adhered to the principle of guaranteeing priorities and giving due consideration to the ordinary in the distribution of state expenditures in the last few years, and the expenditure structure has become increasingly rational. In 1981, in order to further adjust the economy and reduce the deficit, the state not only reduced investment in capital construction, but also reduced expenditures for national defense. Beginning in 1982 the state took a series of measures to concentrate capital so that the funding needs of energy, transportation, and other key projects could be ensured. Outlays for culture, education and health have continued to increase every year. Funds for education, something which concerns everyone, have gone up an average of 14.5 percent annually in the 6 years from 1979 to 1984, which was far greater than the average yearly 5.7-percent increase in overall state expenditures for the same period. More than 70 percent of overall state expenditures in the past 6 years have been used in economic construction and on culture, education, and science. Although this still does not totally meet all the various social needs, development is, after all, proceeding in the right direction and has guaranteed that the state will meet the development needs of construction projects.

The readjustment of the national economy and the overall economic reform of the past few years have provided a reliable foundation for the steady growth of revenues and have led to the development of large sources of revenue. In 1980, the state implemented a policy for localities of "dividing revenues and expenditures, classifying labor contracts," and began a policy for state-run enterprises of retaining enterprise funds and profits, of accepting responsibility for both gains and losses, and switching from submitting a portion of profit to the state to paying taxes. The third of the above three reforms in particular has resolved the problem of enterprises all eating from the "same big pot" of the state, and has confirmed and placed within a legal framework the relationship of distribution between the state and the enterprise. This has not only led to an increase of revenue for the state, but has also expanded enterprise autonomy and increased profits retained by enterprises. Last year state-run enterprises retained 35 billion yuan in profit, a more than 11 fold increase over 1978. This great increase in the financial reserves of the enterprises has provided an ample amount of funding for enterprise technological reform and for economic invigoration. This has greatly strengthened state-run enterprises, which are the primary source of revenue for the state, and has provided a firm basis for increasingly large remissions of tax revenue from enterprises to the state.

These have all been fundamental changes that have occurred in the last several years in China's financial situation. Of course, this does not imply that there are no problems or difficulties. At present there are quite a few problems in the finances of the central government--its burden of providing subsidies is onerous; enterprise economic returns are not yet ideal, while costs and losses have increased; violations of economic and financial discipline remain serious, as some places exceed the boundaries of their authority and reduce or eliminate the amount of tax paid to the state, while others intercept that tax revenue before it reaches the state, and some enterprises blindly cut costs and avoid paying taxes by claiming arbitrary expenses, and so on. This all has a direct effect on state revenues. In the realm of expenditure, administrative expenses have grown greatly. Long, expensive conferences held under various pretexts have increased, while some places neglect overall social interests and illegally retain the increases in state prices when purchasing grain. All this has increased the state's financial burden. We cannot become blindly optimistic and careless because of the rapid recovery in the financial situation. Legitimately increasing revenue and reducing expenditure will always be the guiding principle in financial work.

12221/9190
CSO: 4006/625

FINANCE AND BANKING

CAUTION URGED IN USE OF INTERNATIONAL LOANS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 pp 50-51

[Article by Wang Xiangpin [3769 4161 0756] of the Economic Research Institute of the State Planning Commission: "Borrowing International Commercial Loans Should Be Treated With Caution"]

[Text] Current international commercial loan interest rates have dropped from 16 percent to approximately 8 to 9 percent, which presents us with an excellent opportunity to obtain credit. In order to ensure that the making of such loans achieves its objectives, we believe that attention should be paid to two problems:

I. Reasons for and Trends in the Fall of International Commercial Loan Interest Rates

International commercial loans carry with them no extra conditions and involve great risks and fairly high interest rates. However these rates have recently fallen markedly, almost by one-half. What is the reason behind this? After reviewing the world economic situation, it is our belief that there are four primary reasons:

1. A world economic crisis occurred from 1979 to 1982. According to UN statistics, with the exception of Japan, the GNP of seven major industrially developed nations--the United States, Japan, England, Italy, France, the FRG, and Canada--increased an average 2 percent from 1973 to 1983. The production slowdown in the capitalist countries led to a reduction in foreign trade, which was extremely detrimental to developing nations that rely on loans to maintain domestic production and hindered to a great degree, the releasing of credit from developed nations. This caused a relative surplus of commercial credit available and forced interest rates down somewhat.

2. The credit burden on developing nations is overly heavy and credit terms are pressing. The percentages occupied by the total foreign debt of the GNP in 1983 of several developing nations whose debt burdens were the heaviest were as follows: Chile, 103 percent; Peru, 76 percent; Argentina, 66 percent; Mexico and Brazil, 44 percent. In 1982 the percentages of foreign exchange earned by these countries via trade and nontrade exports that were used to pay back foreign debts were: Chile, 65 percent; Peru, 33 percent;

Argentina, 68 percent; Mexico, 57 percent; Brazil, 89 percent. In 1983 the deadline for the repayment of principal and interest on these commercial loans had arrived. Due to their inability to repay, the debtor nations were forced to temporarily stop taking further loans and to request a rearrangement of repayment schedules from the lender nations. According to a World Bank survey, in 1983 approximately 30 developing nations (including 11 out of 25 of the countries with the heaviest debt burden), reached agreements on rescheduling of loan repayment with official or commercial banks. The reduction in repayments in 1983 on both principal and interest of the developing nations was approximately $23 to $25 billion. The total reduction for 1984 was similar. This cessation of borrowing and lengthening of repayment terms by the debtor nations created difficulties in the extension of commercial foreign credit by developed nations, which had no choice but to ease credit requirements in order to avoid even greater losses.

3. In the 1960's and 1970's, most developing nations implemented policies to limit direct foreign investment, taking out a large amount of commercial loans instead. For example, in South Korea the percentage of commercial loans of the total foreign debt was 95.4 percent, while the figure for direct foreign investment was only 4.6 percent. According to World Bank statistics, the percentage of total direct foreign investment in the total foreign debt in 1983 of 28 developing nations that had rescheduled loan payments was, on the average, only 14 percent. The average figure for the remaining 49 developing nations that had not yet done so was 24 percent. Due to the debt crisis of the past 2 years, the developing nations have rushed to take measures to limit their international borrowing, which has increased difficulties in the extension of international commercial credit.

4. From the 1970's to the early 1980's, oil-exporting nations all raised petroleum prices on several occasions, which caused a great increase of the U.S. petroleum dollar on European currency markets and competition among other commercial banks for the loan-extension market. This was the reason behind the decrease in the overall interest rate for commercial credit. Due to the world economic crisis, OPEC has recently sought to lower petroleum prices, which indirectly demonstrates the effect of the world economic and financial market recession on interest rates for commercial credit.

The above are the primary reasons for the decrease of the interest rate on international commercial loans. It should be noted that the above situation cannot last too long, because the agreements reached on new loan repayment schedules in 1982 and 1983 have created a "mountain" of repayments for the debtor nations for years to come. We estimate that in another 3 to 5 years, the foreign exchange earnings of the debtor nations will not increase much, at which time they will be forced to make new loans to pay for old debts. It is estimated that from 1988 to 1990, interest rates on international commercial loans will again increase along with changes in supply and demand. This is a trend that we should examine carefully when making international commercial loans.

II. Principles That Must Be Mastered in Applying for International Commercial Credit

Two principles generally must be understood in taking out international commercial loans: First, the amount of the loan must be based on the ability to repay both principal and interest on time, and cannot be limited by current needs, so as to avoid falling into the "debt well."

A correct estimate of China's ability to repay is necessary in order to make a rational entry into the world of international commercial credit. China's foreign trade has greatly developed since 1978. With the exception of the 1980 $380 million imbalance of payments, the state's foreign exchange reserves have increased greatly every year. By the end of 1983, the state's foreign currency balance had grown more than 11-fold compared to 1978. However, in the past year or so, China's foreign exchange balance has decreased due to confusion in its use. At the same time, the Bank of China has signed purchasing contracts, short-term and energy-development loans with foreign parties amounting to large sums of money. Repayment of much of the principal and interest on these loans must begin early in the Eighth 5-Year Plan. In addition, repayment on principal and interest of National Treasury Bonds will begin next year. Obviously, China's total domestic and foreign debt will increase considerably for the next several years.

How can China be prevented from falling into a "debt well" by entering the international commercial loan market? We believe that borrowing and repayment of international loans should be done by the state in a centralized manner. First of all, the Ministry of Foreign Economic Relations and Trade must organize and approve of the specific enterprises and products that may implement "import agents," and the State Economic Commission must organize and approve the particular technological improvement projects for which credit may be utilized. The two ministries, the localities and enterprises must, on the basis of serious, detailed feasibility studies and investigation, sign credit contracts and clarify rewards and punishments. The principle behind this is that the state will not take responsibility for enterprise losses. If credit losses occur, they must be resolved by the enterprise or unit involved. On this basis, the two projects ratified by the two ministries will be submitted to the State Planning Commission for approval. The Bank of China will handle credit transferral procedures. Until the above measures have been taken, we should not rush into signing credit agreements, so that borrowed capital not be left idle.

In summation, judging from the practical situation at home and abroad, the state should not allow enterprises to freely incur foreign debts. Because this would mean the risks and losses would have to be taken by the state if there were problems, and the foreign banks would at such time, demand that the government take responsibility for repayment. The reason for this is that Chinese enterprises are state-run so the state should pay its debts. In addition, if state policies were to allow localities and enterprises to freely borrow money, given the present situation characterized by the blind pursuit of speed and the expansion of investment, domestic shortages of energy, communications and transportation, and raw materials would inevitably be intensified, and the normal functioning of the macroeconomy would be disrupted.

Another principle that must be grasped in taking on international commercial loans is to reduce credit costs as much as possible. In addition to increasing the utilization and return rates on loans, we also must try to use fixed-profit methods to repay them, and at the same time, must discuss lowering various types of miscellaneous fees and charges. As supply is greater than demand in international commercial credit, foreign banks will do anything to extend loans in order to reduce losses due to buildup of credit funds. We should take advantage of this opportune moment to obtain even more favorable credit conditions.

But will demanding greatly reduced requirements for these loans cause the transactions to come to nought? Generally not. Although such demands will cause the lenders to reap a little less, their losses will be even greater if their credit funds stagnate for 2 or 3 years without being utilized. For example, if a 10-percent interest rate on a $10 billion commercial loan is reduced by 2 percent, the lender will receive $200 million less annually; however, if the $10 billion stagnates for 1 year, a loss of $800 million [sic] will be incurred. Therefore, in order to accelerate the credit turnover rate, the lender would be unwilling to allow its capital to idle. This is advantageous to us in negotiating international commercial credit.

To sum up the above, in most situations, taking on a certain amount of international commercial loans every year poses no major problem for a country like China, with its abundance of natural resources, vast markets, and ample supply of labor. However, the prerequisite condition must be that such loans can bring good economic returns and constantly increase our ability to earn foreign exchange via exporting. Otherwise, there may be consequences that are in exact opposition to our original hopes. This is the basic reason for maintaining a cautious, prudent attitude concerning China's incurring of international commercial debts.

12221/6662
CSO: 4006/499

FINANCE AND BANKING

COMPULSORY SALES OF TREASURY BONDS CRITICIZED

Hong Kong MING PAO in Chinese 9 Jan 86 p 5

[Special dispatch from Shanghai: "A Chinese Employee of a Financial Institution Points Out That Treasury Bonds Have a Bad Image; Administrative Apportioning Must Be Revised"]

[Text] A Chinese employee, of a financial institution, belonging to the younger generation gave as his opinion: "Treasury bonds now have a bad image. Their reputation is lower than that of ordinary debenture bonds, and even lower than that of corporate bonds. This is an abnormal situation."

During the All-China Symposium on Financial Theories held in Changchun for middle-aged and young personnel in the latter part of November last year, a young member of the research institute at the Head Office of the People's Bank of China, discussing the treasury bond question with reporters, pointed out: "The issue of treasury bonds as the state's self-initiated long-term economic policy is presently still very worrisome in many respects."

This young man in his twenties said: "There is no need to conceal the fact that the treasury bonds currently have a bad image; their reputation is lower than that of ordinary debenture bonds, and even lower than that of corporate bonds; this is an abnormal situation. I am quite convinced that the treasury bonds are definitely not inferior to other bonds, but so far this matter has not been handled effectively. First, terms are too long; they are deficient by their inability to fluctuate and are also unable to instill a sense of security among the people. Second, the method of issuing the bonds by administrative allotments is contrary to the nature of bond issues. Third, there is a contradiction between the inflexible interest rate of the bonds and the rise in commodity prices. Fourth, failure to indicate a precise purpose of the treasury bonds creates an impediment in the minds of the general public as far as treasury bonds are concerned."

He said: "I suggest the adoption three measures: 1) To issue short-term bonds together with the long-term bonds. 2) To have long-term bonds with fluctuating interest rates, which should preferably be fixed 0.3 percent higher than for fixed deposits of the same duration. 3) All treasury bonds should be floated in the open bond market.

In his opinion the floating of treasury bonds, although within the scope of treasury credit affairs, is an operation closely linked with banking business. The banks should, therefore, take coordinated steps, namely:

1. According to the capital condition of the bank, it is a bank that should float the treasury bonds as agent.

2. During the time that the treasury bonds are being issued, bank interest rates for fixed deposits must be reduced or not raised.

3. The interest rate for treasury bonds issued by the specialized banks must be basically the same as for ordinary debenture bonds.

4. On the premise that the bonds are issued on the open bond market, a bond market shall be opened for a long period of time with the possibility of discounting, the rate of such discounts to depend on the fluctuations of the market.

5. Under the conditions of a continuously widening range of government bonds, the issue of treasury bonds must be made part of the state's unified credit plan and cash revenue and expenditure plan.

A further point is that specific funds must be used for specific purposes; the treasury bonds must be directly allotted to the Construction Bank as the source of funds, to be used by the Development Bank for developmental credits, and such funds to be invested so as to serve in conformity with the credit policy published by the Central Bank.

9808
CSO: 4006/626

FINANCE AND BANKING

MACROECONOMIC CONTROL OVER FOREIGN EXCHANGE URGED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 pp 24-25

[Article by Hu Xiaolian [5170 2556 3550]: **"The People's Bank Must** Strengthen Macroeconomic Control Over Foreign Exchange"]

[Text] Foreign exchange is an important component part of the financial strength of the state. Large quantities of foreign exchange are needed for the four modernizations. For a fairly long period of time to come, there will be shortages in China's foreign exchange funds. The People's Bank must strengthen macroeconomic control over foreign currency, increase sources of income and reduce expenditure, and manage and utilize well our foreign exchange funds.

In recent years there have been some problems in the management of foreign exchange. Some regions and departments have used foreign currency beyond quota limits and gone all out for importing. For the sake of partial and short-term interests, some units and enterprises have engaged in duplicated large-scale importing of production lines, raw materials, and parts, relying on foreign exchange to support excessively high increases in production. Some even engage in the illegal resale of foreign exchange at high prices, thus disturbing the financial market. Therefore, strengthening foreign exchange management and improving macroeconomic control over foreign exchange is an important task in our current economic work.

I. We Must Adhere to the Principle of Collective Management in Strengthening Macroeconomic Control Over Foreign Exchange

Since the establishment of the PRC, we have always implemented a system of foreign exchange management based on the principle of collectivism and centralism. After the overall economic reform, great changes were made in foreign exchange management compared to the past in the targets, scope, and methods of management. However, we must still adhere to the principle of unified, centralized management of foreign exchange, because foreign exchange income is earned with difficulty via China's goods and materials and labor. China's economy remains fairly backward and the level of production technology is rather low; therefore, expanding exports and increasing foreign exchange earnings will be rather difficult. To change this requires the utilization of a large amount of foreign currency to import advanced technology and equipment from abroad, the improving of China's production technology, and the increasing of labor productivity. For some time in the future, the contradiction between foreign exchange supply and demand will be a large one. In order to ensure the realization of the goals of the national macroeconomy, management must be centralized and foreign exchange funds must be balanced in a unified manner. The energetic utilization of foreign capital is an important way to resolve this contradiction. In recent years, the amount of foreign capital utilized in China has continued to grow, and ways of using the foreign capital have increased daily as have the channels for its importation. In order to guarantee the states ability to make regular payments, to make sure that the use of foreign exchange will not lead to an overly heavy debt burden and the reduction of economic results, we must also apply the principle of centralized management and macroeconomically control the scope and rate of foreign capital utilization.

II. The Function of Strengthening Economic and Legal Methods in the Macroeconomic Control of Foreign Exchange

An important problem in foreign exchange control at present is that of dispersed, decentralized management. The job of managing foreign exchange in the state is divided among the Planning Commission, Ministry of Finance, Ministry of Economics and Trade, the People's Bank and the relevant local departments, each of which has a certain amount of power to review and approve matters related to foreign exchange. However there is no one department that has central control over foreign exchange and international revenue and expenditure. Thus the amount of foreign exchange and its utilization cannot be macroeconomically controlled. Therefore loss of control on this level is common. For some time China's methods of foreign exchange control were unitary and relied primarily on administrative methods and planning, which permitted rigid control but led to complete chaos when that control was loosened. At the same time that we rely on administrative measures we must also strengthen the role of economic and legal methods in the macroeconomic control of foreign exchange. Changes in the exchange and interests rates clearly effect the foreign exchange balance of payments. Beginning this year with the initial reform of China's price system, corresponding changes occurred in the level of commodity prices, and the cost of exchanging currency for export rose. In order to promote foreign exchange earnings via exporting and increased foreign exchange revenue, we should appropriately adjust the exchange and interest rates, so that these economic measures can have the effect of adjusting supply and demand of foreign exchange and promote exports and the utilization of foreign capital. At the same time, we must strengthen legal measures and utilize laws and regulations concerning foreign exchange management to put a stop to illegal activities relating to foreign exchange.

III. Make Full Use of the People's Bank in the Macroeconomic Control of Foreign Exchange

Fluctuations in foreign exchange funds are not isolated phenomena, but are closely related to the domestic circulation of currency and commercial circulation. Foreign exchange is earned via the export of China's goods, materials, and labor, which involves a depletion of domestic natural resources and a reduction in overall domestic supply. At the same time, foreign exchange utilizes dometic RMB funds, which increases the internal currency circulation rate. The use of foreign exchange can increase domestic supply of goods and materials, but due to the accompanying need for RMB auxiliary funds, an expanded amount of RMB is put into circulation, which increases the domestic need for goods and materials. Simple forms of control over foreign exchange or RMB funds are insufficient to ensure a basic balance between supply and overall demand. As a central bank, the People's Bank has the task of management and control of the funds of the entire state. If it focuses on RMB, and not foreign exchange, it cannot exercise overall control over state funds or truly get a handle on the RMB. As China's open door policy is further implemented and the volume of foreign exchange revenue and expenditure continues to increase, its effect on the balanced development of the national economy will become increasingly apparent. Therefore, integration between control over the RMB and over foreign exchange is necessary. As one of the most important organs of regulation over the national economy, the central banks must maximize their role in the macroeconomic control over foreign exchange and RMB funds.

IV. The Strengthening of Macroeconomic Control Over Foreign Exchange Requires Clarity of Focus

In Strengthening macroeconomic control over foreign exchange, the People's Bank must begin by controlling the amount of foreign exchange utilized, by increasing its effective use, and putting a stop to illegal activities.

First is control over the amount of foreign exchange utilized. Limiting foreign exchange expenditure according to revenue, increasing revenue, and reducing expenditure have been principles of ours concerning foreign exchange control for some time. However, in a situation where foreign exchange revenue has been fixed, controlling the volume of foreign exchange utilization is an important part of the macroeconomic control over it. If it can be controlled, the state can maintain a normal amount of foreign exchange reserves, which is of great importance in ensuring the normal development of the national economy. Because of the current shortage of foreign exchange, some regions and departments are requesting permission to borrow from abroad and the issuance of bonds. This tendency needs to be dealt with immediately, and the total amount of foreign exchange utilized must be controlled, because the scope and rate of the utilization of foreign exchange must be limited by the ability of the state to make foreign currency reimbursements. If this is not controlled, the debt problem will, in a few years, become a serious hindrance to the development of the national economy.

Second is augmenting economic returns in the use of foreign exchange. Macroeconomically controlling only the total amount is insufficient. The direction of foreign exchange flow must be controlled as well. Foreign exchange must be rationally distributed to all departments to ensure rationality in the economic structure and the greatest possible economic results in terms of foreign exchange funds. China's fund flow cannot yet automatically adjust itself by using economic mechanisms and capital cannot yet automatically flow toward industries and departments that are the most effective economically and can play the greatest role in the development of the national economy. Therefore, the use of various means to distribute foreign exchange funds and guide them to the desired departmants is an important part of macroeconomic control.

Third is putting a stop to illegal activities involving foreign exchange. Maintaining the integrity of the RMB and attacking the foreign exchange black market is an important part of efforts to strengthen the macroeconomic control over foreign exchange. Some regions have been engaging in illegal activities, such as selling, reselling, and speculating in foreign exchange at high prices, arbitrage, and flight of foreign exchange, which has created disorder in domestic finances, negatively effected the implementation of open door and domestic stimulation policies, and has had a bad influence both domestically and internationally. We must strengthen management and resolutely put an end to illegal foreign exchange activities.

12221/9190
CSO: 4006/552

HINTERLAND ENTERPRISES SET UP 600 BUSINESSES IN SHANGHAI

Shanghai JIEFANG RIBAO in Chinese 23 Nov 85 p 1

[Article: "Hinterland Enteprises Have Opened More Than 600 Businesses in Shanghai During the Past Year"]

[Text] Today marks the first anniversary of the announcement made by the Shanghai Municipal Government of "Measures Concerning Certain Problems Relating to Economic and Technical Cooperation Between the Enterprises in Shanghai and the Various Regions." Except for Xizang, Qinghai and Taiwan, 25 provinces, cities and autonomous regions have established 669 stores in Shanghai during the past year. According to statistics compiled by the 326 stores which have begun operations, the volume of business has reached almost 100 million yuan.

The establishing of stores in Shanghai by outside areas has produced favorable effects in five different areas: First, it has facilitated the exchange of information between Shanghai and the various localities throughout the nation and promoted the production of commodities to meet market needs; second, it has opened up the channels for the circulation of commodities, reduced the number of links and speeded up the turnover of commodities; third, it has increased the supply of commodities and brought prosperity to the Shanghai market; fourth, it has served to promote the exchange of production techniques and to develop the economy of and bring prosperity to the various areas; fifth, it has increased the economic effectiveness of the enterprises, created more employment and increased the income of staff workers. For instance, the Hutai Trading Co jointly set up by Taicang County in Jiangsu and the Shanhaiguan Road Food Market in Shanghai is able to sell the special local products of Taicang, such as dried meat floss, in the Shanghai market and to establish trade relations between Taicang County and over 300 companies in Shanghai and the rest of the nation. The establishment by the various localities of stores in Shanghai has made it possible to ship porcelain from Jiangxi, rice wine from Shaoxing, silk fabrics from Zhejiang, ginseng from the Northeast and fur from Nei Monggol to the Shanghai market.

According to statistics, 24 percent of the stores set up in Shanghai by the various localities are stores selling mostly special local products, 31 percent selling mostly articles of daily use such as clothing and general merchandise, 11 percent selling mostly such means of production as machinery, electronic products and construction materials, 28 percent are engaged in such multiple businesses as tourism, storage, transportation, and hotels and 5 percent are businesses engaged mostly in technical economic, information, and consultation services.

9621/12951
CSO: 4006/496

SHANGHAI'S QUALITY PRODUCTS REACH ENTIRE NATION

Shanghai JIEFANG RIBAO in Chinese 24 Nov 85 p 1

[Article by Xu Wenlong [1776 2429 7893], Yu Jianguo [0205 0948] and Xia Hongxiang [1115 7703 4382]: "Shanghai's Famous, High Quality Products Are Penetrating the Entire Country; More Than 1,000 New Economic Associations Established Between January and September Enabling Output Value To Increase by Over 2 Billion Yuan"]

[Text] Shanghai has made the distribution of its renowned and high-quality products a special feature for speeding up the establishment of "domestic cooperation." From January to September of this year, it has transferred 1,500 technological items to over 1,000 economic associations of various types in 28 provinces, cities and autonomous regions throughout the nation and enabled them to increase their production value by over 2 billion yuan, or twice the amount for the previous year.

In recent years, the demand for Shanghai's renowned and high-quality producers by the hinterland has been increasing by some 20 percent annually. Due to the limited size of Shanghai and other factors, it can only increase its production 12 percent annually, so that there is a vast gap between supply and demand. With the development of domestic cooperation, however, it has increased its capacity for producing new, renowned and high-quality products by establishing a link between its facilities, technologies, and funds and the raw materials, factories, and labor resources in the hinterland. Taking the "Everlasting" and "Phoenix" bicycles as an example, Shanghai, by establishing joint operations with similar enterprises in Suzhou, Nantong and Urumqi, has been able to increase bicycle production by over 900,000 units, or 13 percent of the total produced in Shanghai. According to a sample survey, the newly added production value of Shanghai's traditional, well known and high-quality products in demand in newly created markets has amounted to some 1.4 billion yuan.

The accelerated pace at which Shanghai has established marketing relations with the hinterland for its well known and high-quality products has served to promote the upgrading and replacement of Shanghai's traditional products. The wide distribution of such products has, on the one hand, resulted in a yearly increase in the total amount of Shanghai's traditional products and, on the other, given the old enterprises a "breathing spell" to develop new technologies and new varieties of products. Through the establishment of domestic cooperation, for instance, the Shanghai Toothpaste Factory has been able to achieve a steady increase in the amount of production, production value and profits and to take advantage of its opportunity to produce on a trial basis the Meijia brand of fluoride toothpaste to be sold in the international market.

The wide distribution of Shanghai's well known and high-quality products has also increased the capacity of the port to earn foreign exchange. The Shanghai Handicraft Import and Export Co., by establishing labor and trade cooperation and engaging in joint production with the concerned enterprises in Changshu alone, and by cooperating domestically to promote export sales, has been able to produce such traditional exports as redwood furniture valued at some 70 million yuan and to earn over $20 million in foreign exchange.

9621/7051
CSO: 4006/495

NINGXIA'S GROWING DOMESTIC TRADE LINKS

Tianjin TIANJIN RIBAO in Chinese 4 Nov 85 p 2

[Article by Jiang Senlin [5592 2773 7792]: "Ningxia Takes First Steps Toward Cooperation with the Outside World, and Especially Welcomes Other Provinces and Regions To Come to Ningxia To Establish High Energy-Consuming Industries"]

[Text] Since 1983, Ningxia has signed 500 economic and technical cooperation contracts with 14 provinces, cities and autonomous regions, including Zhejiang, Hebei, Henan, Shanxi,Shaanxi, Jiangsu, Liaoning, Tianjin, Beijing, and Shanghai. These contracts include agreements of intent in more than 10 industries, including food products, textiles, chemicals, metallurgy, machining, scientific research, and education. Two-thirds of these contracts have been for economic and technical cooperation projects and have primarily taken the forms of joint ventures and compensation trade. In particular, compsensation trade is beneficial to both sides, and it has been welcomed by the cooperating units of other provinces and regions. A few projects have already begun to benefit both sides. In 1983, 1.5 million yuan of investment was provided by Jinhua City in Zhejiang Province to revive production by coking furnaces at the Shizuishan Steel Plant in Ningxia, and that year the factory provided Jinhua City with 2,000 tons of coke. The enterprises receiving technological assistance from other provinces and regions have for the most part attained favorable results. Last year, Zhenjiang's Shaoxing, Deqing and other chemical industry factories gave assistance to Ningxia's Zhongning, Zhongwei and Jialan chemical fertilizer plants, and reformed their technological management, thereby quickly reducing the steaming coal and electricity consumption and vastly improving the economic results of these factories. Practice has proven that economic and technological cooperation carried out by relatively economically advanced provinces and regions not only allows great advanced in the development of Ningxia but is also beneficial to the more advanced province or region. They can use Ningxia's abundant natural resources, manpower, and markets to give full play to their own superior technology and management methods, and thereby attain even better economic results.

In order to expand further economic and technological cooperation in areas in which we are opening up to the outside world, last June the People's Government of Ningxia promulgated five regulations, giving preferential treatment to other provinces, cities and autonomous regions that carry out economic and technological cooperation with Ningxia. These regulations very quickly received the support of Shanghai, Zhejiang and other provinces and regions. They sent delegations one after another to visit, and even reached agreement on some areas of economic cooperation. This year, the entire province has already attracted 87 million yuan worth of foreign investment. Of this, the Zhenjiang Materials Corporation and the Jiangsu Metallurgy Corporation carried out the managment of aluminum ingot production with Ningxia's Qingtongxia Aluminum Factory,and has already provided 70 million in investment funds to Ningxia.

An official of the Ningxia Office of Economic and Technological Cooperation told this reporter that, in view of Ningxia's actual situation, we welcome other provinces and regions to come to Ningxia to establish high energy consumption industrial enterprises and food processing industries. In concrete terms, this means that the complete processing of coal, food products industries such beef and mutton canning, fruit and fresh vegetables, building materials industries such as glass, gypsum and cement, the processing of soybeans and citrus drinks, and fur processing are all being earnestly developed. Ningxia is located in the northwest, and our technology is backward. We especially hope that the high-level research institutes and scientific research institutes of other provinces and regions will come to Ningxia to carry out technological cooperation. In the gallop across the battlefield to develop the great northwest, we will make the greatest effort to provide favorable working and living conditions.

12582/13068
CSO: 4006/487

DOMESTIC TRADE

BRIEFS

INTERIOR EXPORTS GOODS THROUGH TIANJIN--China's northern and northwestern regions recently called a conference on cooperation in foreign trade. The provinces, municipalities, and regions will this year supply Tianjin Port with export goods to the value of over 300 million yuan. The active increase of capacity to export and create foreign exchange is an important strategic task of the port and of the hinterland. Only by strengthening the lateral economic links between Tianjin Port and the hinterland and by launching a multifaceted cooperation will it be possible to arouse enthusiasm in many quarters and to bring everyone's individual strong points fully into play. The conference explored a variety of forms of cooperation in foreign trade between Tianjin Port and the hinterland, and between different places in the hinterland, such as joint operations, export agencies, etc. The conference, furthermore, opened up further channels for such trade, and the provinces, municipalities, and regions of the hinterland agreed through negotiations to supply Tianjin Port next year with export goods to the amount of over 300 million yuan. The various places of the hinterland also negotiated some items of foreign trade cooperation between themselves. [By Zhong Yichun [0112 1571 2504]] [Text] [Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 1] 9808

SHANGAI AGRICULTURAL TRADE FAIR--The Shanghai Economic Zone's first agricultural trade fair, which lasted 4 days, closed on 17 November in Zhangshu, Qingjiang County, Jiangxi Province. Coming from the Shanghai Economic Zone were more than 1500 representatives of the agricultural business world from 11 provinces and cities, including the 5 provinces and cities of the Shanghai Economic Zone, and Beijing and Guangdong. They participated in the mutual exchange of information and the exchange of technical knowledge. They looked at different goods for order, and held trade talks. According to statistics, this trade fair produced a volume of business worth over 30 million yuan, of which Jiangxi Province accounted for the highest figure 6.40 million yuan. This trade fair waa arranged by the Shanghai Economic Zone Agricultural Information Service Center. [Text] [Shanghai JIEFANG RIBAO in Chinese 21 Nov 85 p 2] 12582/13068

FOURTEEN OPEN CITIES CAUCUS-- The first finance and trade work conference held by the 14 coastal cities was convened in Shanghai on 2 November. Representatives from the 14 coastal cities, including Beijing, Tianjin and Guangzhou, discussed problems with respect to urban economic reform, the open door policy and the policy of stimulating domestic markets. They analyzed the current market situation, exchanged experiences relating to commercial reform, and put forth some useful suggestions and ideas. [Text] [Shanghai JIEFANG RIBAO in Chinese 5 Nov 85 p 2] 12582/13068

CSO: 4006/487

FOREIGN TRADE AND INVESTMENT

CHEN MUHUA PRAISES SHANTOU FOR LEARNING FROM SHEKOU

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 1

[By Yang Zhicui [2799 0037 3862]: "On an Inspection of the Shantou SEZ, Chen Muhua Pointed out: 'The Shantou SEZ Learned well from Shekou; Developing one Sector, Building Up That Sector, Getting That Sector To Produce and Yield Benefits, Is a Very Good Policy'"]

[Text] After an inspection of the Shantou SEZ, Chen Muhua, councillor of the State Council and president of the People's Bank of China, approved of the policy adopted by the Shantou SEZ to "develop one sector, build up that sector, get that sector to produce and yield benefits." The SEZ learned from the experiences of Shekou and did so effectively.

Chen Muhua inspected the Shantou SEZ on 16 December. She said: This is my first visit to the Shantou SEZ. I saw many good things and was deeply impressed. Seen from the airplane, Shantou shows dark spots and light spots. The light spots are the newly developed areas, and they show that Shantou has been developed very fast in the last few years 1 year equaled 7 years. After seeing the Shantou SEZ, I think the SEZ has been run very effectively. To have learned from the experiences of Shekou, to have given priority to industry, and to have also exported most of the agricultural and fishery production, has been of great benefit for the development of the SEZ. The policy adopted by Shantou to "develop one sector, build up that sector, get that sector to produce and yield benefits" is a very good policy, and substantial progress has indeed been made.

Speaking of the banking conditions, Chen Muhua said that banking is important work. Finance and banking develops in the wake of economic development, but if financial work is done effectively, it can have a supporting and promoting effect on economic construction. I hope banking will be carried out more effectively and more actively. Chen Muhua also stated her opinion regarding China's present economic situation and expressed her intention of supporting the SEZ. Valuable opinions on the development of the SEZ were also expressed by Qiu Qing [6726 2532], vice president of the People's Bank of China, and Zhao Bingde [6392 4426 1795], vice president of the Bank of China, both of whom had also come along on the inspection trip.

9808
CSO: 4006/682

FOREIGN TRADE AND INVESTMENT

PROBLEMS, RECOMMENDATIONS REGARDING TECHNOLOGY IMPORTS

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 5, Sep-Oct 85 pp 58-60

[Article by Meng Jixin [1322 4764 2450]: "Views and Recommendations About Continuing Problems with Imports"]

[Text] Since the implementation of the open door policy, importing has become an important part of China's economic dealings with foreign countries. This development is attracting widespread attention both here and abroad.

Through importing, China has learned and absorbed advanced management techniques used in foreign countries and has effectively utilized imported technologies and equipment to increase production and improve quality. We should recognize that we have obtained solid results. But for a variety of reasons, there are a number of problems and lessons worth noting from this importing process. To make this process more effective in the future, we must earnestly review our experiences confront these problems, and adopt relevant measures.

The common problems in importing are:

1. The choice of imports is a problem. The goal of importing is to accelerate China's four moderizations. But under China's present limitations in funds, importing must focus on equipment and technology crucial to the four modernizations. Importing must also focus on equipment which will ensure steady exports over the long run and enhance foreign exchange earnings. Imported equipment should aid in import substitutions. However, the "three excesses and two shortages" problem is still widespread. The problem is an excess of consumer production lines (assembly line production), excess of production for domestic consumption and duplication of imports; however there are shortages of technology and knowledge intensive projects as well as export production projects.

A large proportion of the economic and technological cooperation projects between provinces or cities and foreign countries is in light industry or food production. When it is in electronics, it is likely to be assembly line production of color televisions, cassette recorders, and vcr's; furthermore we still need to rely on foreign sources for continuous supply of some raw materials and spare parts. If we import high grade consumer production lines, it is entirely possible to accelerate the accumulation of funds and succeed with import substitution. But too much duplication in particular imports will inexorably lead to the following problems: (1) By using foreign exchange, instead of earning it, we will have difficulty paying our debts. (2) Similar commodities will complete with each other on the domestic market. Moreover, as the life span of many everyday consumer items are short and because variations and updated versions appear frequently, products in great demand today can quickly become obsolete. At that point those production and assembly lines will become a heavy burden. (3) Funds for important projects will be less. (4) If the prices of spare pars from abroad rises or supply comes to a halt, we will suffer severe losses.

2. When importing with an overeagerness for quick results, a buyers' market is easily created. Importing is a difficult and complex task. We must be extremely prudent in our dealings and avoid blindly engaging in the pursuit of quick achievements. Yet right now many counties and cities are actively importing and pursuing negotiations on a grade scale. I feel there are many faults with this method. First it is quite easy to make the number of projects and their monetary value the goal during these negotiations while overlooking costs versus benefits. Furthermore, some of the enterprises participating in these talks are so impatient for success that they gather around one particular foreign company, turning the buyer's market into a seller's market. A smaller number of enterprises are worried about "missing an opportunity", so during the talks they squander foreign exchange, doing harm to the nation. Relevant data have shown that to date, exports of machinery and equipment from developed nations have largely been processed through credit arrangements, cash payments comprising only a small amount of the total. However, in our overzealousness, a good deal of equipment has been purchased entirely in cash, resulting in significant losses. Furthermore, it is really quite difficult to sufficiently discuss the complexities of importing in a brief 10-day conference. It is my understanding that many projects are finalized with foreign companies in several discussions before formal negotiations begin: the conference itself becomes just a formality for signing agreements. I believe that if we can change our importing methods, we can avoid pressures of time and location. We will grasp opportunities better and import discreetly, and thereby obtain results that are more ideal.

3. We lack an understanding of developments in science and technology abroad and often rely upon "enterprise impressions" when importing. Because many provincial and urban enterprises are not well informed about the situation foreign countries, the decision as to what to import is often made by a few domestic companies which have "impressions" about large or famous foreign companies. This often results in the seller requesting a higher price.

It should be noted that presently small and medium-sized enterprises control a certain amount of advanced technology. In recent years in the United States, half or more of the technological achievements were made by small and medium-sized companies. If we could visit such companies by going through a representative office of our government or our local friends, we could see what technologies these companies had to offer, select the more advanced ones, and import them possibly at lower cost. In the end, the results, too, would be better.

4. The standard for "advanced" technology is ambiguous, making it difficult to avoid losses and being duped. Some enterprises as well as departments responsible primarily for import do not really understand trends in foreign technology or the standards for advanced levels of technology. Thus, during negotiations they often merely make generalized statements about wanting some "advanced technology" or "80's" technology or equipment. Such generalized requests amount to revealing to the foreign businessman that we know very little about the technology or equipment in question. We thereby put the other side in an advantageous position, and they may seize the opportunity to demand "advanced prices" while supplying us with obsolete goods. This is a common occurrence. Recently a Hong Kong magazine poked fun at the fact that China placed an order for an old model Japanese photocopy machine that had been out of production for 2 years: "Foreign products need not be new or good. The most important thing is to be the first to import it and it will snowball among China's masses until it becomes a wave. This gives some factories opportunities to sell obsolete production lines to China." These words should make us wake up.

5. Blindly having many people inquire about price results in may errors and few benefits. When importing we must inquire among different countries and companies about similar equipment and technolgy. We must earnestly compare prices, technological capabilities and delivery and only after that import the best. Without doubt we must adopt this method of "comparing the goods of three companies." Yet at present, many enterprises often blindly engage in excessive price inquiries. For instance, if a factory needs to import production line, it may simultanteously ask several units which have dealings with foreigners to inquire about the price. These units will then individually inquire among several foreign companies. Sometimes by coincidence these requests all end up a the same company. The belief that "more is better" when comparing prices only results in harm to us in various ways. First, flooding the world with price inquiries easily gives foreign companies the impression that we want to import large quantities of the particular equipment or technology. They seize therefore this opportunity to quote prices many times higher. Moreover, by making our price inquiries without ever getting back to the foreign companies causes us to lose respectability in their eyes. Furthermore the feasibility studies conducted by enterprises preparing to import more often not scientific or done in earnest. They merely consist of superficial reports. After importing, the enterprises may run into problems with maintenance, marketing, debts, forming complete sets of equipment, etc. This makes it impossible for them to realize the original purpose of importing. An even more common problem is the sole emphasis on importation while overlooking assimilation of the imported product.

Although the reasons for the previously mentioned problems are numerous, the main ones are the lack of unified management, a unified plan, and a flexible strategy. Thus in the future China must strengthen unified management of imports. Here are some concrete suggestions:

1. Experts should be assigned by the central authorities to form a unified import management organization. Its main functions should be: (1) To establish relevent principles and policies for importing. (2) To draw up an overall importation plan and determine the strategic projects. (3) to examine, approve and coordinate the importation plans of the various prefectures, cities and departments.

2. Imports must go through the authorized channels. The central authorities should assign units in charge of unified importing for the different categories of imports. These units will then bring together experts in the field (permanent or temporarily transferred) to handle imports of a particular category. The advantages of this system are: (1) Expertise will be employed to examine more deeply and comprehensively the international scientific and technological developments of the particular field and thus superior products will be chosen for import. (2) This method will prevent excessive dealings with foreigners, strengthen our position as the buyer, and allow us to take advantage of international competition among sellers. In this way, we may import technology and equipment we need under more favorable conditions. (3) With this method, import projects of the various localities and departments can be centrally weighed as to their importance and urgency. The interests of the whole country will be ensured and the macroeconomic benefits will not be adversely affected. Moreover, duplication of imports can also be effectively curtailed. This method will also be of value in organizing resources and in absorbing and assimilating imported technology and equipment and in developing new ones.

3. Fastidious attention must be paid to import tactics. On the one hand, we should strengthen unified management and the training of manpower so as to raise negotiation standards. At the same time, we must also diligently study various importing tactics, such as tightening controls domestically while relaxing controls in regard to foreign dealings and seizing opportunities (e.g., foreign economic crisis, shifts in industrial structure, and technological upgrading). We should also import based on first hand observations by S and T experts we station abroad or by representative offices of our government overseas. For the most highly sophisticated technolgy that we find difficult to import through normal means, we can adopt the method of "sending (exports) out and importing (things) in." We can disptach experts overseas to cooperate with appropriate counterpart in researching and developing a particular technology; later we can import it. In many technolgically advanced countries, it is often difficult to keep advanced technology a secret; moreover many technologies are changing with each passing day. Thus by establishing research and development organizations abroad, we can monitor these changing trends in developments as they occur. Furthermore, we can transfer the technology to China more easily, at lower cost, and in a timely manner. Beyond this, we should actively send people to participate in international economic and technological organizations through which they can obtain a large amount of valuable data on the world situation in economics and science and technology.

To sum up, the open door policy and active importation are long-term, fundamental national policies. As long as we squarely face the problems that arise in importing, speedily study and adopt effective measures in scientific management, and place emphasis on importation methods we can surely obtain better results in importing.

13030/13068
CSO: 4006/481

MINISTER DISCUSSES CHINESE-JAPANESE TRADE RELATIONS

Shanghai JIEFANG RIBAO in Chinese 12 Nov 85 p 1

[Interview given to a XINHUA reporter by Minister Zheng Tuobin [6774 2148 1755] of the Ministry of Foreign Economic Relations and Trade, on the prospects of Chinese-Japanese trade; date and place not given]

[Text] [Question] I would appreciate hearing your views on Chinese-Japanese economic and trade relations.

[Answer] With the normalization of Chinese-Japanese relations, economic and trade relations have continued to develop between the two countries. Last year, trade between the two countries amounted to $12.73 billion, or one-fourth the amount of our foreign trade. China ranks fifth among Japan's foreign trade partners. Japan has twice offered us government loans (overseas economic cooperation loan funds) amounting to $3.5 billion at the annual interest rate of 3 to 3.5 percent for 30 years. It has, on two occasions, offered energy resources loans amounting to $4.4 billion at the annual interest rate of 6.25 percent for 15 years. It has also offered us assistance on a limited scale with no compensation. We have signed five contracts with Japan for the cooperative development of offshore petroleum and Japan has made investments amounting to $800 million. From 1979 to 1984, Japanese businessmen have invested $123 million in the establishment of 57 Sino-Japanese joint enterprises in China. Thus, Chinese Japanese economic and trade relations may be said to have been progressing smoothly in recent years.

[Question] What are the principles in regard to the development of Chinese-Japanese economic cooperation?

[Answer] China and Japan are close neighbors. Although we have a vast market and abundant natural resources, we are relatively backward economically and technologically. On the other hand, Japan, while short of natural resources, is more economically developed and has a higher technical and management standard. Economically, the two nations can supplement one another. We should develop friendly and cooperative economic and trade relations in line with the spirit of the Chinese-Japanese joint statement and the four principles of peace and friendship, equality and mutual benefit, mutual trust, and long-term stability.

[Question] China imports large amounts of Japanese commodities every year. What, after all, is the quality of Japanese products?

[Answer] In importing commodities and technologies to meet our needs, we normally compare the quality of the products, prices, and services offered by the various countries and regions. Our consumers import large quantities of Japanese products which we find competitive. Naturally, there are times when the quality of Japanese products, like that of products we import from other countries, falls short of that stipulated in the contracts. For instance, as has recently been reported, the motor vehicles made by Mitsubishi and color televison sets made by Orion have been found to be defective. It should be realized that quality is one of the major conditions necessary to compete in the international market. Generally speaking, most firms put a high premium on quality. Once a problem has been discovered, most foreign businessmen are quick to deal with it to protect their own interest and prestige. The two incidents mentioned above have been basically dealt with satisfactorily and at no loss to us. There are, however, instances where we have suffered losses when our people, lacking in knowledge and experience in foreign trade and failing to inspect import commodities according to the terms stipulated in the contracts, have failed to file damage claims in time. This is something to which the concerned parties should direct their attention.

[Question] One outstanding problem in Chinese-Japanese economic and trade relations is the considerable trade imbalance in favor of Japan. What are your views on this problem?

[Answer] China suffered a trade deficit of $2 billion in 1984 and $2.3 billion during the first half of 1985. This trend is expected to continue.

The increase in trade deficits during the last 2 years may be attributed to a number of factors. On the one hand, there is an increasing demand in China for Japanese raw materials, machinery, equipment, and chemical and industrial products. Needless to say, due to defects in our guidance plan relating to imports, there has been some duplication in our imports and too rapid an increase in the import of durable consumer products. We have already taken, or are about to take, the necessary remedial measures. On the other hand, as regards the structure of commodities, we export a considerable amount of energy resources (petroleum and coal), agricultural products, textiles, and aquatic products whose added values are too low. At the same time, most of the imported products consist of machinery, steel, and iron whose added values are high. Furthermore, the restrictions imposed by Japan on some of our export commodities, such as raw silk, silk and satin, and certain subsidiary agricultural products, have also made it difficult for us to increase our exports.

Foreign trade involves both imports and exports. The amount of imports depends on the amount of exports. With a view to achieving an international balance of payments, many countries, particularly those in the Third World, consider it imperative to achieve a basic balance of payments. However, due to limitations imposed by the supply and demand situation in bilateral trade, there are many instances where deficits occur. Western nations, too are faced with the deficit problem. China is a developing, while Japan is a developed country. There is a vast volume of trade between the two. However, if the deficit continues to increase in Chinese-Japanese trade, China will not be in a position to sustain the loss, and the development of long-term and stable bilateral trade will be adversely affected.

The satisfactory solution of this imbalance calls for joint efforts by both sides. First of all, Chine must vigorously develop its production, improve as soon as possible the quality of its products, increase its export channels, improve its transportation capability and go a step further in meeting the demands of the Japanese market. At the same time, it is hoped that Japan will adopt a positive attitude in increasing the import of the traditional commodities from China. What Japan can do with relative ease in the near future is to continue to increase the import of petroleum and coal from China. It is also hoped that Japan will coordinate with our efforts to develop the export of industrial finished products to increase our export capability.

[Question] What are your views on the prospects of developing Chinese-Japanese economic and trade relations?

[Answer] Conditions are favorable for the development of economic and trade relations between the two countries and such relations will continue to be developed without interruption. The development of Chinese-Japanese economic and trade relations will not only promote understanding and closer friendship as well as the prosperity and stability of Asia and the world. The prospects of such developments depend, however, on present and future efforts made by the two governments and the concerned enterprises of the two countries. In any case, there is no question that such relations can only be developed on the basis of the principles of equality and mutual benefit.

9621/12951
CSO: 4006/496

FOREIGN TRADE AND INVESTMENT

ECONOMIC COOPERATION WITH BRAZIL GROWING

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 3

[Article by Zhang Baoyu [1728 1405 3768]: "Rapidly Growing Economic and Trade Cooperation Between China and Brazil"]

[Text] Brazil is the largest Latin American country. The development of economic cooperation between China and Brazil is of great significance for the South-South cooperation and for the promotion of the joint economic development of the two nations.

1. Broad Prospects for Bilateral Trade

Since diplomatic relations were established between China and Brazil in 1974, there has been a very rapid development of mutual trade. The total amount of bilateral export and import trade in 1983, according to Brazilian statistics was $776 million, a 84-fold increase since 1976. Last year the trade between the two countries amounted to $800 million and will reach $1 billion this year. Brazil has by now become an important trading partner for China in Latin America. Especially after the visit to China last year of the Brazilian president and this year's visit to Brazil of Premier Zhao, there has been an upsurge of a kind of "China-craze" in Brazil, and many entrepreneurs are seeking opportunities to develop trade with China. Brazil is already regarding China as one of its import trading partners.

Currently, an equilibrium is being maintained between Chinese and Brazilian exports and imports. In this trade, China's mainstay commodity for exports to Brazil is petroleum, of which 2,500,000 tons were exported last year, and for which an agreement covering the delivery of 3 million tons during this year has already been signed.

Brazil is also in need of Chinese raw materials for the chemical and pharmaceutical industry, peppermint oil, products of the light and handicraft industries, and some machinery items. Brazil requires, furthermore, large quantities of coking coal, a product that China should progressively develop.

Brazil's mainstay commodity in its exports to China are steel products, of which 600,000 tons were shipped last year. China, moreover, has a need for pig iron, iron sand, timber, chemical fiber, pulp, tobacco leaf, and aluminum produced in Brazil. Brazil manufactures trucks, passenger cars, electric refrigerators, washing machines, and TV components, mainly using American, West German, Japanese, and Dutch technologies; since they are of good quality and low in price, they show good competitiveness, and China is also importing some of these items.

2. Active Development of Economic and Technical Cooperation

Both China and Brazil have vast territories and abundant resources. Both countries have highly developed industries, and a large potential for economic and technical cooperation. Brazil has already instituted a policy of opening to the outside world and absorbed advanced technologies from various countries on a broad scale. There have been comparatively few restrictions by the developed countries on the transfer of certain advanced technologies to Brazil. Because of the early absorption of advanced technologies, Brazil has attained a fairly high level of technology and accumulated a certain amount of experience in such fields as hydropower, nuclear power, shipbuilding, motor vehicles, offshore oil, harbor construction, highways, and bridge construction.

Both parties are currently carrying out cooperation in such projects as: the Manaus plywood plant, China's first cooperative enterprise in Brazil; the joint contract of the China Civil Engineering Corporation and the Brazilian Mendes Company for railway and expressway construction in Iraq; the Brazil Petroleum Co's participation in the exploration of China's South Sea petroleum; on the basis of the first round of cooperation, it is now actively participating in the second round of open bids.

Projects that are now being negotiated or have already been started are: the Chinese Ministry of Metallurgical Industry is discussing with Brazil the opening of an iron mine in Brazil; Brazil will participate in Chinese hydropower station consultative services; Brazil is also preparing to engage with China in a joint production of telephone equipment, in an instant coffee packaging plant, and in a zipper manufacturing plant. The Chinese side is already carrying out testing and actively working toward the implementation of the projects.

Additional items for which favorable conditions for mutual cooperation exist on both sides are: harbors and highways, shipbuilding, motor vehicle production, coal, gemstone processing, as well as communications equipment, microcomputer technology, nuclear technology, duplicating equipment, teleprinter equipment, ethyl alcohol manufacturing technology, vegetable fuel oil, building materials, and in the field of architecture.

9808
CSO: 4006/682

FOREIGN TRADE AND INVESTMENT

CITIC'S ACCOMPLISHMENTS, PLANS FOR 1986

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 1

[By reporter Li Bida [2621 3968 6671]: "Xu Zhaolong, president of the China International Trust and Investment Corporation, Stressed the Need Next Year To Energetically Seek the Use of Foreign Capital and Promote Technology Imports"]

[Text] "In 1986 the China International Trust and Investment Corporation [CITIC] will, in compliance with the general and specific policies of the state and the state plan, more effectively play its role as window to the outside world, energetically perform its various professional duties, and do its utmost to raise economic results, in order to make a greater contribution toward the promotion of technological progress in China's enterprises, toward the expansion of the exports of our products, and to enhance capabilities for earning foreign exchange." This is the statement made by Xu Zhaolong [1776 2507 7127], president of CITIC in his report at the sixth meeting of the board of directors on 14 December.

Xu Zhaolong said: Since CITIC began operations 6 years ago, it has developed into a comprehensive enterprise, integrating activities in the fields of production, finance, trade, and services. From its inception until now, CITIC has made investments in 140 projects, and about half of these new enterprises have started up production and are in business. To encourage technological transformations and technological progress in China's enterprises, CITIC's leasing organization last year organized almost 400 projects, and this year another 300 projects might be added. CITIC also accepted commissions from enterprises and, using funds allotted by the state for technological transformations, acted as agent in the importation of technical equipment. In the last few years, the items that formed the subjects of these commissions have rapidly increase, about 300 items having been transacted this year. During last year, CITIC has actively launched financial business activities and floated three public bond issues, namely in January in Japan an issue of Y30 billion, in August in Hong Kong an issue of HK$300 million, and in September in the FRG an issue of DM150 million. Preparations are now being made for another issue in Japan.

As to next year's work, Xu Zhaolong said: all of CITIC's business activities must comply with the general and specific policies of the state and the state's macroeconomic plan and have to consider the economic results. We must conscientiously adhere in our actions to the spirit of the central authorities with regard to promoting technical progress, expanding exports of our products, and raising our capability to earn foreign exchange. We must energetically seek to utilize foreign capital for investments in our domestic enterprises. It is around this central task that we shall launch our financial business activities, carry on domestic and foreign trade as well as our consulting services. The focus in all areas of investment is to be the development of raw and semifinished materials industries, including such industries as iron and steel, nonferrous metals, construction materials, and petrochemical products, with consideration also to be given to machinery, electronics, light and textile, as well as the foodstuffs industries. In overseas investments we must follow a policy of "South-South cooperation," giving priority to cooperation with the Third World. In determining projects for investment, we must consider whether the project in itself has vitality and is economically profitable in the international market.

9808
CSO: 4006/682

IMPORT LICENSES REQUIRED FOR STEEL

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 1

[Text] The Ministry of Foreign Economic Relations and Trade [MOFERT] recently issued a notice to the effect that as from 1 January 1986 the importation of steel materials (including all types of steel materials, steel billets, scrap steel, ships for scrapping) shall be controlled by licensing.

The notice states that for steel materials required to be imported by any locality or department in China, an application must be directed in advance through the China National Metals and Mining Products Import Export Corporation (METIMPEX) to MOFERT, and a commodity import license must be obtained. The notice furthermore states that orders abroad for these materials shall only be placed by METIMPEX alone (orders for steel billets and scrap steel required by the Ministry of Metallurgical Industry for its own use may be placed abroad by the China National Metallurgical Import Export Corporation). The customs service shall check shipments and release them on the basis of commodity import licenses and other relevant documents.

If, under special circumstances, small quantities of steel materials are to be bought through another import-export corporation for the urgent use within a locality or department, approval must be obtained in advance from MOFERT, and only after obtaining a commodity import license, may an order be placed abroad. The import price must be coordinated with METIMPEX.

Excepting the two SEZs of Xiamen and Shantou, all SEZs and the administrative district of Hainan, when importing steel for their own use, and if shipments will be unloaded at the port of the district in question, are not subject to shipment quotas. In such cases orders may be placed abroad by an import-export company designated by the local people's government and on record with MOFERT, at prices at which METIMPEX is transacting business. However, prior to placing order, a commodity import license must be obtained from MOFERT for an annual allotment, without mention of type of commodity or amount of money, based on the annual import plan quota transmitted down by the State Planning Commission and MOFERT. All steel material that has been imported for own requirements by the various SEZs and the Hainan administrative district must not be resold outside the SEZs or outside the Hainan administrative district.

Steel materials imported by duly approved Chinese-foreign joint management enterprises and exclusively foreign-financed enterprises, for use in their own production, may be ordered by them directly from abroad, providing that the price has been coordinated with METIMPEX, or they may also entrust the importation to METIMPEX or to an import-export corporation designated by the local people's government and on record with MOFERT. However, in all cases a commodity import license must be obtained from the special agency office at the nearest port, based on the approved joint venture contract (which must mention the relevant conditions that make it necessary to import steel materials) or the plan that includes the need for imported steel in the production process, approved by the organ in charge of such approval, together with the shipment quota (any joint venture which imports less than 500 tons per year need not have a shipment quota).

For steel material imported under approved contracts for processing imported materials, a commodity import license need not be obtained if the processed materials, for which the raw materials were imported, are all sold abroad. The customs may follow the procedure for the importation of material for processing in checking and releasing such imports. If any of the above-mentioned steel material for some reason is diverted to domestic sale, a commodity import license must be supplemented, according to the general procedure for importing steel materials. Small amounts of steel which have to be imported for the installation or reinforcement of machinery or equipment, imported under a compensation trade contract, are exempt from commodity import license requirements if the amount is below one ton.

9808
CSO: 4006/682

FOREIGN TRADE AND INVESTMENT

MEASURES FOR IMPROVING OVERSEAS LABOR SERVICES

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 2

[Article by Ma Jianchun [7456 1696 2504]: "Employ Effective Measures To Further Develop China's Contracting for Overseas Projects and Overseas Labor Services"]

[Text] During the Sixth 5-Year Plan, China has made great progress in contracting for overseas projects and in labor service cooperation abroad. Up to now, China has signed contracts with more than 70 countries for more than 2,000 overseas construction projects and overseas labor service cooperation; these contracts involve an amount of over $4.6 billion. Last year, China jumped to 10th place in the world in the total value of such contracts. More than 50,000 of our personnel are working in overseas construction projects and labor services, accounting for a total of 160,000 person-times during the last few years. Under the conditions of fierce competition in the international contracting and labor service market, the contracting and labor service contracts signed by China increased at the average growth rate of over 80 percent, which shows a very gratifying picture of thriving vitality in this branch of business.

The following are the main features of China's contracts for overseas construction projects and labor services during the period of the Sixth 5-Year Plan: 1) A continuous expansion of countries and territories. China has by now established cooperative relations with more than 70 countries and territories in Asia, Africa, Europe, Latin America, and Oceania, initiating contracts for engineering projects and for labor services in these countries. 2) An increasingly favorable reputation for the accomplishment of engineering undertakings and for competitiveness. Up to the beginning of this year, the amount involved in contracts for engineering project has grown to a 90.3 percent proportion in the total amount for all contracting and labor service contracts, and some of these contracts are for projects of over $100 million. 3) China is now branching out into diverse trades and industries. It is now not only able to undertake all kinds of engineering projects overseas (such as house construction, highways, bridges, dams, irrigation, water supply and drainage, power stations, breakwaters, etc.), but also is able to provide skilled workers and managerial staff to engage in all kinds of production, and to dispatch seamen, cooks, and others to work in these cooperative labor services. 4) A continuous growth in capabilities. At present, over 50 Chinese companies are engaged in international economic cooperation; their sphere of business operations is continuously widening. The projects undertaken by some companies have even won awards in work-related international contests.

Developing the business of contracting for overseas engineering projects and cooperative labor services is an important way to increase foreign exchange earnings. China ranks high in the world as far as manpower resources are concerned, manpower, furthermore, that has a certain level of technical skills. Much of China's equipment and materials is also very suitable for the requirements of the international labor service market. Developments in the last few years have demonstrated that it is quite possible to further expand China's business of contracting for engineering projects and for cooperative labor services. However, we must also realize that the value of all the contracting currently undertaken in the international market exceeds $100 billion, and that 11 million people work abroad under such contracts, which makes China's share still only a very small one. Future competition will become much fiercer, and demands will be higher, so that the further expansion of China's business of contracting and rendering labor services will still face many difficulties, making it necessary to adopt further effective measures.

First, we must implement the principles of "observing contract obligations, guaranteeing quality, working for small profits, and respecting equitableness." In undertaking engineering contracts we must stress working for small profits, guarantee the quality of our engineering work, and in the international market for contracting and labor services we must further raise China's good reputation and influence.

Second, at the same time as we consolidate whatever markets we have gained, we must open up new markets. China has by now laid a very good foundation with its engineering contracts and labor services in the Middle East, North Africa, and other areas, but there is still much leeway and further development and consolidation is necessary. We must take advantage of all favorable conditions in China and abroad, open channels, and as we consolidate and expand the old markets, we must energetically open up new markets in Africa, Latin America, Southeast Asia, and certain developed countries. This is the only way in which we can achieve further development on a larger scale for China's business of contracting for engineering projects and for labor services.

Third, we must energetically develop cooperative labor services. The capacity of the current international labor service market is very large. We must take full advantage of China's abundant manpower resource and dispatch labor service personnel, depending on the varying conditions in the various countries and territories. In the case of developed countries with manpower shortages, we must give priority to the supply of labor services. In the case of the developing countries we must supply manpower as well as technologies and equipment, thus gradually expanding the scope of our contracting in the direction of technical assistance.

9808
CSO: 4006/682

FOREIGN TRADE AND INVESTMENT

ANSWER TO QUESTION ON FOREIGN ECONOMIC CONTRACT LAW

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 2

[Article by Sun Wenqi [1327 2429 0796] and Yao Xiaoming [1202 2556 2494]: "Special Requirements of the Foreign Economic Contract Law With Regard to the Establishment of Certain Contracts"]

[Text] Question: What are the special requirements of the Foreign Economic Contract Law (FECL) with regard to the establishment of certain contracts?

Answer: Article 7 of the FECL stipulates: "Contracts for which the laws and administrative laws and regulations of the PRC require approval by the state become valid only after such approval has been obtained." This mainly refers to contracts for the operation of Chinese-foreign joint venture enterprises, for the operation of Chinese-foreign cooperative management enterprises, and for Chinese-foreign cooperative exploration and development of natural resources. Comparing these contracts with other foreign economic contracts, especially comparing them with traditional international contracts for the purchase or sale of goods, they have special characteristics, mainly manifested in the following: 1) They are long-term contracts with a strong tendency of continuity. Even if for shorter terms, they are for a number of years, but then can be for as long as several decades. For instance, some of China's Chinese-foreign joint venture contracts are for as long as 30 years. During the currency of the contract, the cooperation between the two parties and the business activities of the enterprises are continuously carried on. This demands that the provisions of the contract can stand the test of long periods of time. 2) The contracts are complex in substance and wide-ranging. Frequently, apart from the basic contract, there are many additional special contracts attached, as, for instance, contracts for the purchase of equipment, the transfer of technologies, the construction of an engineering project, financial loans, and provisions regarding the management of the business operations. These special contracts form an integral part of the main contract. This type of contract is furthermore closely bound up with various sectors of the Chinese economy, for instance, in the use of land, the supply of raw and semifinished materials, fuel, motive power, the marketing of products, and in imports and exports. In all these activities there is of course close contact with many departments and enterprises in China. The conclusion of contracts must therefore be conducted with great care, and in a circumspect and comprehensive way. 3) The contracts contain strong policy and legal substance. The content of many of these contracts directly touch on various aspects of China's policies and laws regarding investments, foreign trade, pricing, taxation, foreign exchange receipts, labor management, etc, and in some cases even relate to the native law of the foreign party. Conclusion of these contracts, therefore, is beset with many policy and legal questions; they require not only a specialized technical knowledge but also familiarity with the relevant policies and laws. 4) A close connection between the economic interests of the two parties. Compared with other foreign economic contracts, the economic cooperation established by this type of contract combines the economic interests of the Chinese party and of the foreign party much closer together. It is therefore necessary to make a thorough study of the feasibility of the cooperative project and to fully consider the immediate and long-term economic interests of the parties.

In view of the above-stated peculiarities, the FECL lays down certain special demands with regard to these contracts. Apart from the need of the two parties to reach a meeting of minds in their negotiations and to have signed the agreement, the contract is only validly concluded after its approval by the relevant department of the Chinese government. Moreover, the assignment of these contracts (unless specifically provided for) and significant changes are valid only if approved by the agency that has approved the contract in the first place. The purpose of this provision is, on the one hand, to ensure that the construction project defined in the contract conforms with the developmental needs of China's national economy and that the articles of the contract are in accord with China's policies and legal provisions. Another purpose is to ensure that the contract is such that it can receive the support of the relevant departments of the Chinese government, so that the two parties will attain the hoped-for economic results in the smooth performance of the contract.

9808
CSO: 4006/682

PETROCHEMICAL EXPORTS DOUBLED DURING 6TH 5-YEAR PLAN

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 1

[Report by special correspondent Shi Hua [4258 5478]: "Last Year Petroleum and Petrochemical Exports Increased Almost 20 Percent; Total Amount of Exports More Than Doubled During Sixth 5-Year Plan"]

[Text] The total imports and exports of petroleum and petrochemical products handled by the China National Chemical Import and Export Corporation [SINOCHEM] during 1985 amounted to $10.9 billion, which accounted for one-fifth of China's total imports and exports and yielded 3.8 billion yuan of profits turned over to the treasury. The amount of imports and exports showed an increase of 4.9 percent over the preceding year. In this figure, exports account for $7.4 billion, an increase of 18 percent over the preceding year, and account for more than one quarter of the total amount of Chinese exports. This corporation takes first place among all the many Chinese companies that are authorized to conduct imports and exports, and has once more joined the ranks of the world's large corporations. This according to an announcement by Zheng Dunxun [6774 2415 6064], general manager of SINOCHEM, at the conference of all branch managers of the corporation.

In summing up the work of the said corporation during the period of the Sixth 5-Year Plan, Zheng Dunxun said that SINOCHEM again achieved very gratifying successes during the Sixth 5-Year Plan. The cumulative amount of foreign exchange created by exports during these 5 years amounted to almost $30 billion, which was 1.6-times the cumulative amount achieved during the 5 years preceding the Sixth 5-Year Plan, the export increases averaging out at an annual 8 percent, thereby laying an excellent foundation for the doubling of output value by the year 1990. In these 5 years, the variety of export products increased from somewhat more than 300 to more than 700, with exports going to more than 130 countries and territories. The head office and branches of SINOCHEM have established sales agency relations with more than 300 firms in more than 70 countries and territories all over the world, and maintain business contacts with more than 10,000 customers in the world, which indeed constitutes an appreciable initial marketing network. To further broaden its markets abroad, the head office of SINOCHEM established during these 5 years independent companies, joint-venture companies, and agency offices in Japan, the United States, the FRG, France, Panama, Brazil, Malaysia, Singapore, and Hong Kong, thereby building up an overseas establishment of initially considerable proportions.

Speaking of the tasks for 1986, he said that the head office and all branches of SINOCHEM will continue this year the policy of revitalization, opening up and reform, centered around efforts to raise economic results, to increase by every possible means the sources of export commodities, and by exerting ourselves to fulfill and overfulfill all our various tasks. For this purpose we must relentlessly pursue work in three respects: sources of goods, exports, and economic results. As regards the sources of goods, we must continue to employ such effective methods as having imports nurture exports, undertake the processing of imported materials, etc., to resolve certain definite problems experienced by our manufacturing enterprises, and thereby increase the sources of marketable commodities. We must strengthen investigation and research, energetically develop new products, accelerate improvements and updating of products, select several highly promising factories that possess sound foundations and good adaptability as experimental units for specialized export production, to explore ways for the establishment of an export production system for our foreign trade. As to the direction of our exports, we must energetically launch replacement of imports by exports, effect an integration of imports with exports, conduct barter trade, entrepot trade and trade on the principle of reciprocity, in order to open up all international markets in an active, enterprising spirit.

9808
CSO: 4006/677

CHINESE CRAFTS EXHIBITED IN USSR FOR FIRST TIME IN 32 YEARS

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 3

[Article by Jin Zhigang [6855 1807 0474]: "Ties of Friendship; Sidelights on the Exhibition of Chinese Handicrafts in the Soviet Union"]

[Text] The third Soviet Exhibition of Public and Domestic Commodities was held in Moscow in September, 1985. After a hiatus of 32 years, China participated again for the first time in a Soviet exhibition, a fact which caused a stir in Moscow. The Chinese handicraft articles were awarded an honorary diploma at the present exhibition.

Almost 1,000 items (sets) of more than 20 categories of goods were exhibited this time, comprising ivory and jade carvings, lacquerware, feather pictures, trichromatic glazed pottery of the Tang Dynasty, ceramics, cloisonne, drawnwork and articles braided from straw, willow twigs, bamboo, and rattan.

The Soviet people were extremely interested in the Chinese handicraft articles. Large crowds gathered in endless wonderment in front of the cabinets showing such high-grade handicraft items as the ivory ball in 32 independently moving layers, the exquisite carved jade perfumer, and the perfectly realistic "eight horses" stone carving, and people never stopped asking the attendants about the way these articles were made and conditions of their production. They voiced their surprise that there are such exquisite handicraft products in the world.

The various machine-made and hand-produced embroideries, hand-woven articles, and crochet garments at the drawnwork display attracted many viewers. Many enquired where one can buy these beautiful drawnwork articles. Some even left their addresses, asking the attendants to send them some of the articles. Many viewers also stopped in front of the display and drew sketches of a tablecloth which had caught their fancy, and studied the workings of the crochet garments. One young person actually squatted on the floor for 30 minutes to finish the sketch of a tablecloth.

The traditional Chinese lacquered furniture was also much admired by the Soviet people; especially after they came to know the production and manufacturing process, their interest was greatly aroused, and they expressed the hope that one may be able to buy a set of Chinese lacquered furniture in the Moscow market in the not too distant future.

It was particularly amusing to see that soon after the opening of the exhibition, two Soviet lady-teachers, who could speak Chinese, made a bet of 10 rubles in an argument about the raw material of the Chinese imitation-jade artificial flowers in a bowl. One believed it to be of plastic and one believed it to be of glass. The Chinese attendant, as an exception, opened the display cabinet and let them actually feel the material. When they discovered that it was made of glass, the looser still found it hard to believe and showed herself unconvinced. The imitation flowers in a bowl, realistically produced from glass, was a real eye-opener for many viewers.

In summary, the exhibition of Chinese handicraft articles left a deep impression on the many Soviet viewers. The Soviet press and radio received many phone calls and letters from viewers demanding the importation of Chinese commodities, some viewers even demanded the opening of Chinese stores in Moscow or other Soviet cities. Chinese handicraft articles, like a tie of friendship, established a link of good feelings between the Chinese and the Soviet peoples.

9808
CSO: 4006/677

GREATER VARIETY NEEDED IN TEXTILE EXPORTS TO USSR

Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 2

[By reporter Feng Tuo [7458 7474]: "Twelve Enterprises Awarded Prizes for Textile Exports to the Soviet Union and Eastern Europe"]

[Text] Twelve textile enterprises, among them the Shijiazhuang Printing and Dyeing Plant No 1, the Shanghai Printing and Dyeing Plant No 3, the Beijing Qianjin Cotton Mill, and the Changzhou Corduroy Factory, were awarded prizes by the China National Textile Import Export Corporation (CHINATEX) at a Ceremony held on the 21 December at Shijiazhuang. The reasons for the awards were that these factories had maintained high quality in their products exported to the Soviet Union and to Eastern Europe, that they had been punctual in deliveries according to contract, and because of the contribution they had thus made to China's foreign trade.

China has always attached importance to maintaining the quality of textiles exported to the Soviet Union and to the East European countries. CHINATEX explicitly stipulates that all products exported to the Soviet Union must pass inspection by the commodity inspection organs. Products that on inspection are below standards must not be exported. Because of their high quality, our textile exports are warmly welcomed by the peoples of the Soviet Union and of the countries of Eastern Europe. An executive in a relevant Soviet department said approvingly that the large-scale importation of Chinese textiles concluded the era when the Soviet people, old, middle-aged, and young, had to dress all alike. Hopefully, the Chinese will produce more printed cotton cloth to help the Soviet people dress better. On hearing this news, the factories of the Chinese textile organization were much encouraged, felt a greater sense of responsibility, and the large number of their staff and workers applied themselves with greater zeal to the spinning and printing of cotton cloth in various designs and colors for export to the Soviet Union and the countries of Eastern Europe.

At the awards ceremony, the textile organization greatly propagated the achievements of the 12 advanced enterprises, in order to spur on all factories of the organization to raise the quality of textiles to even higher levels.

9808
CSO: 4006/682

FOREIGN TRADE AND INVESTMENT

NEW INSPECTION TECHNIQUE FOR SOVIET BLOC TEXTILE EXPORTS

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 1

[By Li Jian [2621 0256]: "An Innovation within the Reform"]

[Text] At the recent meeting held in Shijiazhuang on the nationwide interchange of technologies for the printing and dyeing of cloth exported to the Soviet Union and various countries of Eastern Europe and for the commendation of advanced techniques, this reporter learned that there is now a new method to guarantee the quality of export textiles. This new way is to have export standards formulated jointly by the production enterprises, the foreign trade departments, and the commodity testing departments, to carry out joint inspections, and to take great care of good quality. Some call this new method, which has never been tried before, an innovation within the reform.

In 1983 the Soviet Union resumed its imports of Chinese cotton cloth, importing in that year 2,040,000 meters. In 1984 the Soviet Union was in fourth place among countries taking our export textiles, which in 1985 reached 60 million meters. This year exports of pure cotton cloth to the Soviet Union increased by more than double compared with last year, accounting for half of its total exports from China. This huge quantity is the largest volume ever exported since the founding of the PRC.

In the last few years, the relaxation of quality requirements in certain factories has had an adverse effect on the reputation of our cotton cloth. How can we possibly have Chinese textiles stand their ground in the markets of the Soviet Union and of the East European countries? The China National Textiles Import Export Corporation called special trade meetings, commodity by commodity, participated in by three parties: the industrial departments, the foreign trade departments, and the commodity inspection departments, to solve the quality problem, article by article. Last year between August and December four specialized meetings were held in Beijing, Suzhou, Bengbu, and Shijiazhuang on the question of exports of velveteen, yarn-dyed fabric, corduroy, and cotton prints. In these specialized meetings: 1) Uniform export standards were formulated; 2) Quality appraisals and comparisons of actual material were carried out, also commending items of advanced quality; 3) Joint inspection groups were set up from among the three parties: the manufacturers, the foreign trade departments, and the commodity inspection departments. By now, a nationwide velveteen joint inspection team, a yarn-dyed fabric joint inspection team, a denim joint inspection team, a corduroy joint inspection team, and a cotton print joint inspection team have been set up. This was a complete change of the traditional system of the past when manufacturing enterprises only concerned themselves with production, when the foreign trade departments only concerned themselves independently with concluding transactions, and the inspection departments went about their inspections with total unconcern. The three parties, the factories, foreign trade departments, and the commodity inspection department, jointly formulated export standards and carried out joint inspections. This type of horizontal linkage and the joint concern for the quality of export products is an innovative move in the reform. Its advantages are that the manufacturing departments are informed of market conditions abroad and the demands of customers, so that they will manufacture according to international standards and international fashion trends, that the foreign trade departments will understand domestic production levels, and that the commodity inspection departments will maintain proper checks and render good service. It is a method that will be of great assistance in raising the competitiveness of Chinese products in the international markets.

The increase in the volume of cotton cloth exported to the Soviet Union and the East European countries, the increase in designs, colors and variety, and the strict demands as to quality are, on the one hand, exerting great pressure on export operations, but, on the other hand, provide an impetus for the development of our textile industry, promoting the improvement and updating of products, and raising the competitiveness of its products. Currently, the standards are high and demands are strict in many factories manufacturing export commodities, and they exert great efforts, striving to attain international levels with their products. The July 1 Printing and Dyeing Mill in Xinjiang Province, though working for exports only since 1984, produces cotton prints that are in quality among the best throughout the entire country. In 1986 as far as patterns of cotton prints for export to the Soviet Union are concerned, Jiangxi 's goods were preferred by 69 percent, rating them best in the country. From Hebei Province, the worsted sateen, the "shi tao cai" fabric, and the "tiao li hua" fabric were called the "three golden flowers" by the Soviets.

9808
CSO: 4006/677

FOREIGN TRADE AND INVESTMENT

CHINA UNDERTAKES SHIPPING CONSTRUCTION FOR EXPORT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 6 Dec 65 p 1

[Article by Xiao Guogen [5618 0948 2704]: "China Achieves International Standard in Shipping Construction for Export"]

[Text] This reporter has learned from the International Maritime Technical Academic Conference and Exhibition held in 1985 that China now possesses the technical and material capabilities for undertaking export shipping. While the international shipbuilding industry and market are in a state of depression, the major shipbuilders in China have, in the course of the last 5 years, undertaken from the Chinese Shipping Industry Co. the construction of 1.2 million tons of shipping for civilian use and three drilling platforms. Most of these projects have been completed. Shipowners who have placed orders come from the United States, Italy, the FRG, Norway, Romania, Poland, Singapore, Bangladesh, Liberia, and Hong Kong. The shipbuilding technology, quality, technique, and performance are all up to international standards.

Wang Rongsheng [3769 2837 3932], deputy general manager of the Chinese Shipping Industry Co., told the 1,000-odd Chinese and foreign guests who attended the International Maritime Technical Academic Conference and Exhibition held in Shanghai that the Chinese shipping industry was mainly concerned with the development of domestic shipping and that it was actively engaged in the export of shipping and diversified operations. China has adopted flexible methods in accepting new shipping construction orders for export. These flexible measures permit shipowners freedom of choice in shipping classification, design, and equipment, deferred payment according to international practice, the provision of loans on favorable terms and the acceptance of ships as security. Other requests made by shipowners are also given consideration and complied with if at all possible.

Several dozen kinds of equipment used on ships made in China, including diesel engines, diesel generating sets, deck machinery, propellers, and containers, are being exported to a number of countries and regions.

According to Wang Rongsheng, the Chinese Shipping Industry Co. has signed over 200 contracts with foreign countries involving the issuance of trade permits, technical cooperation, cooperative production, and the purchase of key technologies and equipment amounting to over $50 million. The products manufactured through the use of such technologies and equipment have been approved by Chinese and foreign shipping inspection authorities.

Wang revealed that the Chinese Shipping Industry Co. has also engaged in joint enterprises with foreign businessmen, that the annual production of shipping in China has increased almost 100 percent during the last 5 years, that ships made with steel plates totaling 1.44 million tons were produced in 1984 and that there will be a further increase in 1985.

9621/7051
CSO: 4006/495

FOREIGN TRADE AND INVESTMENT

ZHEJIANG FULFILLS 6TH 5-YEAR PLAN EXPORT QUOTA 1 YEAR EARLY

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 1

[By Wang Xin [3769 2946]: "Zhejiang Fulfills Sixth 5-Year Plan Export Plan 1 Year in Advance; Good Results in the Utilization of Foreign Capital and in Service Exports"]

[Text] Zhejiang Province made huge progress in its foreign economic relations and trade during the period of the Sixth 5-Year Plan. The norms of the Sixth 5-Year Plan for exports were overfulfilled 1 year ahead of time, and remarkable success was achieved in the utilization of foreign capital and in the economic and technical cooperation with foreign parties.

Export commodities from Zhejiang were in the past always transferred to such ports as Shanghai for export, as the province was rather late in starting its own operations. In 1980 the ratio of exports handled by the province itself in relation to the total amount of procurements of export goods was only 33 percent. During the Sixth 5-Year Plan the rate of such operations undertaken by the province itself rose year by year, and last year exceeded 88 percent. The amount of foreign exchange receipts increased from $240 million in 1980 to $870 million in 1985, an increase of 2.6 times. The assortment of export goods was increased from somewhat over 400 to more than 800 items, amounting to a doubling of the items. The countries and territories to which exports were shipped increased from somewhat over 80 to more than 120. The composition of export commodities was also improved. The proportion of heavy industry and chemical industry products rose from 15.45 percent in 1980 to 19.7 percent in 1985; the proportion of light industry and textile products declined slightly from 66.88 to 65.9 percent; the proportion of agricultural and sideline products declined from 17.67 to 14.4 percent.

In the utilization of foreign capital, up to the end of September of last year, the total amount of funds involved in contracts concluded in various forms for the utilization of foreign capital exceeded $130 million, in this sum 56 percent were foreign capital. During the 5 years in question, approval was granted to establish 56 Chinese-foreign joint ventures, 56 Chinese-foreign cooperative management enterprises, and 102 cases of compensation trade. The large majority of investors used to come from Hong Kong and Macao, but this area has now been expanded to include over 10 countries and territories, among them the United States, the FRG, Italy, France, Japan, the Netherlands, and Australia. At the beginning of the Sixth 5-Year Plan, investments were made in the handicraft industry, but the area of investments has been expanded to such industries and trades as machine building, electronics, textiles, construction, silks and brocades, light industry and the tourist industry.

A good start was also made in cooperative contracting work abroad. The total amount involved in contracting or subcontracting for engineering projects during the 5 years in question was $36 million, with more than 3,500 persons working under these contracts. The engineering projects of these contracts were located in Iraq, North Yemen, Kuwait, and Libya. Good progress was made in foreign aid tasks undertaken by Zhejiang Province and in aid projects accepted from the United Nations. Because of the good achievements of the agricultural assistance team and the medical assistance team from Zhejiang Province working in the Central African Republic, President Kolingba, as head of state of the Central African Republic, bestowed on the heads of the teams the honorary medal of Central African restoration and to each member of the teams medals of knights of Central African restoration. In the last 2 years, Zhejiang Province also established tripartite joint venture enterprises with Canada, the United States, and Western Samoa.

Zhejiang Province possesses good preconditions for the development of foreign economic relations and trade. In the Seventh 5-Year Plan, Zhejiang Province will further respond to the demands of the international markets, make good use of its advantages, raise the quality of its products, guard its good reputation, and strive to continue to develop the various branches of foreign economic relations and trade at a growth rate in advance of that of the national economy.

9808
CSO: 4006/677

GUANGDONG LEADS NATION IN FOREIGN CAPITAL USE

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 1

[Unattributed article: "Guangdong First in the Nation in the Use of Foreign Capital; Last Year Used $1 Billion"]

[Text] Guangdong Province used about $1 billion of foreign capital last year, placing first in the whole nation.

In discussing the condition of foreign economic relations and trade of Guangdong Province, Yu Fei [0060 7378], the province's vice governor, summed it up in the words "very good." Export trade from this province made smooth progress, and up to the end of October last year, several corporations and areas had fulfilled their export quotas ahead of time, at an increase of 16.7 percent compared with the preceding year.

The export trade provides means and guarantees for the repayment of foreign investments, and the development of industrial and agricultural production provides the solid material foundation for foreign economic relations and trade. Last year, Guangdong's gross output value of industry and trade amounted to the huge sum of 65 billion yuan, an increase of 21.3 percent over the preceding year, and an increase of 90.5 percent over 1980. The average annual increase during these 5 years was 13.8 percent, exceeding the average growth rate of the country as a whole.

Guangdong Province was the first provincial region that instituted special policies. The whole province formed in its overall area an open trade zone of 970,000 sq km, which is 46 percent of the total area of the province, and with a population of 36 million, which is 58 percent of the total population of the whole province. Guangdong Province made full use of the advantages of opening up to the outside world to actively promote foreign economic relations and trade. By utilizing foreign capital and by importing advanced technologies, it accelerated the technological transformation of old enterprises and took the road toward expanding reproduction, mainly relying on internal intensification of the economy, thereby raising the productive capacity of industry and agriculture. The development of industrial and agricultural production in turn effectively furthered all work in connection with foreign economic relations and trade; both factors supplemented and complemented each other and brought out the best in each other. Presently, Guangdong is in the process of gradually forming a multilevel, multifaceted, and multifunctional economic structure, which has opened itself up to the outside world, and which will lay the foundation for future economic developments and for future foreign economic cooperation.

The leading personality of Guangdong Province pointed out, if we want to continue in the future to consolidate and develop the supplying of commodities to the Hong Kong and Macao markets, and at the same time open up further markets in Japan, Europe, and the United States, we have to bring the special advantageous characteristics of an opened-up economic zone fully into play within our province, and at the same time also develop the huge potential in the mountainous regions of our hinterland.

Guangdong Province is determined to strive for the achievement during the period of the Seventh 5-Year Plan of a growth rate of annually 14 percent in its exports, and to reach a new climax in the utilization of foreign capital with the use of $4.5 billion of foreign capital..

9808
CSO: 4006/677

FOREIGN TRADE AND INVESTMENT

NINGXIA'S FOREIGN TRADE ACHIEVEMENTS DURING 6TH 5-YEAR PLAN

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 2

[By He Zhaojun [0149 0340 6511] and Hu Andong [5170 1344 2639]: "Four Fundamental Changes in Ningxia's Foreign Trade During the Sixth 5-Year Plan"]

[Text] During the period of the Sixth 5-Year Plan, Ningxia achieved new successes in its foreign economic relations and trade. In all import-export activities such as the utilization of foreign capital, the importation of technologies, contracting for engineering projects abroad and cooperating in service operations, comparatively rapid progress was made. Especially in the last 2 years, since Ningxia initiated an overall opening up toward the outside world, with certain points of special emphasis, fundamental changes have been effected in four respects in the course of promoting foreign economic relations and trade.

Direct exports instead of the traditional transfer of goods for eventual export left the initiative for export expansion with Ningxia itself and increased Ningxia's own foreign exchange receipts through exports. Since 1980 the Ningxia trading enterprises negotiated directly with foreign parties, concluded transactions, arranged shipments, settled exchange, and in this way changed the business pattern of the past of merely transferring Ningxia goods to others for further action. This year for the first time, the Ningxia autonomous region sent out three marketing groups to proceed separately to Western Europe, Japan, Southeast Asia, and Hong Kong, to market export commodities to the value of more than $5 million, a move that proved to be a complete success. Also in 1985, Ningxia for the first time participated in the 54th Izmir International Exhibition in Turkey, and also took up wide-ranging contacts with the Soviet Union, East European and other countries for the development of foreign economic relations. During the whole period of the Sixth 5-Year Plan, Ningxia supplied export commodities to the total value of more than 338 million yuan. The region itself exported directly and settled foreign exchange to the amount of over $70 million. For 1985 alone it is estimated that the amount of foreign exchange receipts from exports will have increased 4.5 times compared with 1980. Up to the present, the Ningxia autonomous region has already established foreign economic relations with more than 50 countries and territories of the world, and has initially established a foreign sales network in its main foreign sales markets, in Western Europe, Japan, Hong Kong and Macao.

The assortment of Ningxia's export commodities comprises by now over 100 items. Among these, one item is a staple commodity that yields over $10 million in foreign exchange; there are 4 or 5 items that bring in over $1 million. During the Sixth 5-Year Plan, according to still incomplete statistics, Ningxia approximately doubled the number of newly developed export commodities compared to 1980. These new items have been able to find a place in the markets of Western Europe, Eastern Europe, North America, Southeast Asia, Hong Kong and Macao. Changes have also occurred in the composition of Ningxia's export commodities. The proportion of industrial and mining products reached to over 70 percent, which is different from past conditions when exports relied entirely on the traditional red (Chinese wolfberry), yellow (licorice root), blue (stone from the Alashan mountains), white (pelts of the "tan" sheep), and black (fa-cai) [an edible moss].

Opening up to the outside world has broken down Ningxia's protracted isolation of the past. The party and the people's government of the Ningxia autonomous region are conscientiously implementing the policy of opening up to the outside world. Starting out from the special characteristics of the region, especially relying on the political, cultural and religious influence of the Ningxia Muslims in the Islamic countries of the world, Ningxia repeatedly dispatched groups to visit other countries. A special group was that of Comrade Hei Boli [7815 0130 3810], chairman of the Ningxia Autonomous Regional People's Government, who led a friendship group of Ningxia Muslims during the first half of last year on a visit to Saudi Arabia and four other Islamic countries, and initiated friendly cooperative relations with these countries. In the last 2 years, by way of discussion meetings, Ningxia received the visit of more than 250 foreign businessmen or commercial officials from more than 30 countries and territories and signed 47 contracts with foreign and Hong Kong businessmen for such items as joint ventures and importation of technologies, such transactions involving an amount of $28,330,000.

Progress of a breakthrough character was achieved in the political and cultural exchanges with the Islamic countries of the Middle East.

The utilization of foreign capital and the importation of technologies turned the economy of the Ningxia autonomous region from one of isolation into one of being open toward the outside world. During the Sixth 5-Year Plan, Ningxia used foreign exchange in various forms to the amount of over $60 million, which was more than double the amount used during the Fifth 5-Year Plan. The foreign exchange was used for imports to places throughout the region of various kinds of scientific instruments and advanced equipment, including such key items of equipment as scientific research instruments and materials, instructional and medical equipment, steel products, timber, chemical fertilizer, agricultural chemicals, and equipment for production development, which served to promote the development in the field of industry, agriculture, transportation, scientific research, mathematics and medicine. The Wuzhong Plastics Bag Braiding Factory imported from the FRG a production line of 36 automatic-controlled plastic bag braiding machines and thereby revived an almost bankrupt small factory, which has now an output to the value of more than 10 million yuan. The Wuzhong Instrument and Meter Plant imported an automatic-regulating valve technology from Japan, thereby filling a gap that had existed in Chinese technology, and was presented by the State Economic

Commission the "total excellence award" for importing technology which transformed an enterprise.

During all of the Sixth 5-Year Plan period, but especially during the last 2 years, Ningxia used over $12 million in the form of foreign investments or through compensation trade contracts. Ningxia has by now furthermore set up, with joint foreign and Hong Kong investments, the Chinese-American Ningjia Co. for the manufacture of agricultural, environmental, and meteorological equipment, an intra-prefecture leather company, and a Ninggang Electronics Company. Since its inception over 1 year ago, the Ningjia Co. has already manufactured more than 30 excellent novel monitors for use in agriculture, meteorological and environmental work. The said company's products are in great demand in many provinces, municipalities, and autonomous regions throughout the country. The Ningxia Yuquan Machine-Processed Mushroom Plant to be set up with cooperation with Italy as a compensation trade project--its production to be 800 tons of mushrooms annually--has already selected its location and will break ground and start building very soon. Ningxia is also actively endeavoring to get contributions from the United Nations Development Bureau and grants from overseas to the amount of more than $30 million, for such engineering projects as the dune-fixing installations at Wangzhisha in the Liangji shelter forest and for the Ningxia Engineering College. These projects have had, or will in the future have, beneficial results; they are favorably commented upon by those who are the recipients of the aid, also by the Ministry of Foreign Economic Relations and Trade and other departments concerned.

A good start was made in concluding contracts for cooperative labor services and for engineering projects abroad. During the period of the Sixth 5-Year Plan, Ningxia, through the medium of the China National Construction and Engineering Corporation, dispatched work teams of altogether 1,200 persons to such African countries as Egypt and North Yemen, which created $4 million of foreign exchange. The quality of the engineering work that had been performed under these contracts and the quality of the personnel that had been dispatched were extensively and favorably commented upon. To make full use of the Muslim connections of Ningxia, and to develop relations in the form of contracts for engineering projects and for labor services with the Islamic countries of Saudi Arabia, Egypt, Pakistan and Kuwait, the Ningxia autonomous regional people's government established a Ningxia Islamic International Economic and Technological Cooperative Corporation and set up administrative agencies in Egypt and other such countries.

9808
CSO: 4006/677

FOREIGN TRADE AND INVESTMENT

EXPORT COMMODITY TRANSPORT, ADMINISTRATIVE BUREAUS APPROVED

Beijing GUOJI SHANGBAO in Chinese 6 Jan 86 p 2

[By Zong Qingsheng [1350 1987 3932]: "State Council Approves Ministry of Foreign Economic Relations and Trade setting up a Transport Bureau and Administrative Bureau for Export Commodity Producing Bases"]

[Text] To strengthen macroeconomic administration of export trade transport and also to organize and promote the buildup and development of the Chinese export commodity production system, the State Council recently approved that the Ministry of Foreign Economic Relations and Trade establish a transport bureau and an administrative bureau for the export commodity producing bases.

The main functions and tasks of the transport bureau are: to implement in the shipment of foreign trade goods the specific policies that pertain to specific countries, furthermore, a policy of shipments by regularly scheduled steamship lines, and a policy of ship chartering; to effect the coordination of all planned shipments from the various foreign trade enterprises; to study and formulate rational shipping programs; to strengthen the planned administration of all foreign trade shipments; to carry out a system of "balancing two sectors with centralized control"; to effect a coordination in relation to the communications and transport departments.

The main functions and tasks of the administrative bureau for the export commodity producing bases are: to formulate and establish long-term and short-term plans for the export commodity producing bases; to put forward and set up tentative plans and actual measures for a system of foreign trade and export commodity production in industry and agriculture; to work out a policy and measures for the development of export commodity production; to draw up relevant laws, regulations, and measures; to organize, coordinate measures, and promote the establishment by all localities, all departments and the specialized national import-export corporations of export commodity producing bases; to work together with the finance departments in administering the export commodities producing bases and the economic measures of the specialized factories, also make all necessary disposition and render support; to be responsible for the economic interchanges between the export bases and for widest application of their work.

9808
CSO: 4006/677

FOREIGN TRADE AND INVESTMENT

ANHUI GOVERNOR DISCUSSES PROVINCE'S FOREIGN TRADE POTENTIAL

Shanghai JIEFANG RIBAO in Chinese 27 Nov 85 p 3

[Article by Zhang Yeping [1728 0048 1726] and Mao Yongxiong [3029 3938 7160]: "Wang Yuzhao, Governor of Anhui Province, Discusses Foreign Trade Potential Following Implementation of Open Door Policy"]

[Text] Wang Yuzhao [3769 6735 2507], governer of Anhui Province and leader of the Anhui Provincial Economic and Trade Mission, made a brief stopover in Shanghai following visits to the United States and Canada. Yesterday, reporters called on the governor at the Shanghai Mansion where members of the mission stayed.

During their visit abroad from 28 September to 21 November, Wang Yuzhao and members of the mission participated in celebrations marking the fifth anniversary of the establishment of friendly relations between Anhui Province and the state of Maryland and visited Baltimore, New York, San Francisco, and Los Angeles as well as Toronto, Ottawa and Vancouver in Canada. They participated in wide-ranging discussions with people in industrial, commercial, trade, and financial circles in the United States on projects of economic and trade cooperation and concluded nine contracts, seven agreements and five letters of intent totaling some $30 million in transactions. It was also agreed that discussions will be held on a number of other projects.

Situated in the eastern part of the Chinese interior, Anhui Province, which is gradually being developed from the ground up, has already established economic relations with 134 countries and regions. In 1980, when Anhui established friendly relations with the state of Maryland, its trade with the various states in the United States was minimal. It was not until 1983 that it began to develop trade relations with a number of states in the East and the West. During the last 3 years, the amount of trade with the United States has totaled $40 million, half of which consisting of exports from Anhui.

According to Governor Wang, the implementation of the open door policy has vitalized economic construction in Anhui. "On top of the existing import items and two-way trade," he said, "we have added a number of joint technological projects, including the joint operation of duck breeding and bird-feather-processing enterprises with an American company, the joint construction with another Canadian company of the Tiandu Guesthouse in Huangshan and the Overseas Chinese Mansion in Hefei, etc., so that Anhui has taken a further step in opening up to the outside world."

Foreign friends have shown a great deal of interest in Anhui. Situated in the temperate latitudes, the mother earth of Anhui, traversed by the Chang Jiang and the Huai He, has abundant natural resources. Its reserves of such minerals as coal, iron, copper, and alumstone as well as grain, cotton, oils, and tea rank high in the nation. In addition, 18 million mu of barren hills and 8 million mu of water surfaces still await development. The tourist area centered around Huangshan, adjacent to the Kuangly scenic area and the tourist resorts of Suzhou and Hangzhou, is blessed with both natural scenery and cultural attractions. Wang Yuzhao said that the supply of several copies of videiotapes of "Beautiful Anhui" and "Huangshan" and color pictorials of Anhui was soon exhausted and that foreign friends would rather have videocassettes or pirctorials than other gifts. The two press conferences held by the mission in the United States and Canada were well attended by reporters and lengthy reports were published in the local press. Many requests were made by foreign businessmen for discussions with the mission. One project was discussed at the initiative of foreigners. Late at night on the eve of the mission's departure, an arrangement was made by many foreign officials and businessmen with the mission to come to Anhui for investigation and discussion.

According to Wang Yuzhao, agreement on a number of projects was reached with consideration being given to the natural resources and the existing economic capability of Anhui. For instance, Anhui produces a large number of ducks producing eiderdown of good quality. Under the terms of the project concluded with foreign businessmen for the processing of bird feathers, 5 million ducks yielding 500,000 jin of down are to be produced annually upon the completion of the installation of the necessary facilities, and the product is to be processed and made into 50,000 eiderdown dresses for export. The project for the joint production of PVC wallpaper was also concluded with a Canadian company with consideration being given to the abundant plant fiber resources of Anhui. He further pointed out that he had seen with his own eyes the size of the foreign market, that most of the goods sold in the United States and Canada are imported from abroad, that many of the products can be produced in China and that all we have to do to gain entry into the market is to improve the quality, design, variety and packaging of our products. Our purpose in importing capital, technology, and management methods from abroad, he said, is to increase our capability for earning foreign exchange by exporting our products, to put larger amounts of goods produced in Anhui in the international market and to contribute to the prosperity of the open-type economic region in Shanghai.

Wang Yuzhao pointed out that the success of the trip to the United States may be attributed mainly to the open door policy adopted by the CPC Central Committee to create for China a favorable objective environment. He said that the deepest impression he received during the trip was the favorable reaction to our open door policy. Reaction to the recent National CPC Congress was particularly favorable abroad. In the words of an overseas

Chinese in San Francisco, the personnel changes made during the congress have given people greater confidence in the continuity of the policy of the CPC and the magnificent economic goal which has been set by the Seventh 5-Year Plan has heightened the enthusiasm of foreigners to engage in projects of cooperation with China. Wang Yuzhao added that he had repeatedly assured our foreign friends of our determination to abide by the instructions of our leader Deng Xiaoping "to talk less and to do more" and to elevate our friendly foreign relations to knew heights and in a down-to-earth manner. Many foreign friends have expressed their desire to visit Anhui. Many of the projects which were discussed require further implementation and a great deal or work remains to be done. It is our belief that, bolstered by the sound policy of the CPC Central Committee, the favorable conditions in the international market, and the joint efforts made by the 50 million people in Anhui, the future promises well for Anhui's open door policy.

9621/12951
CSO: 4006/496

FOREIGN TRADE AND INVESTMENT

SHANGHAI EXPANDS FOREIGN ECONOMIC, TRADE OPERATIONS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 9 Dec 85 p 3

[Article: "Shangai Expands Scope of Foreign Economic and Trade Operations by Establishing Direct Contact with More Than 160 Countries and Regions"]

[Text] According to correspondent Xu Qiuliang [6079 4428 2733]. Shanghai has continued to expand the scope of its foreign economic and trade operations, to establish increasingly close contacts with the international market and to develop the integrated type of economy both internally and externally since the adoption of the open door policy by our nation. During the period of the Sixth 5-Year Plan, the external economic contacts made by Shanghai have gradually evolved from basically simple import and export trade to the development of economic and trade relations, including financial accommodation, the transfer of technologies, and economic and technical cooperation with foreign countries. Up to now, Shanghai has established direct economic and trade relations with over 160 countries and regions throughout the world.

To strengthen its economic and technical cooperation with the world, Shanghai must come to know the world and the world must come to know Shanghai. During the Sixt 5-Year Plan period, Shanghai has established frequent contacts with economic, industrial, financial, legal, and academic circles in foreign countries with a view to engaging in projects of cooperation with them on a wider scope. To that end, such large-scale conferences as the "Sino-Japanese Economic Symposium on Shanghai in the 21st Century" and the "Sino-Australian Symposium on Economic and Trade Laws" were held at different times during the year.

In order to gain a better understanding of the international market and to keep itself informed of its situation, Shanghai has also organized exhibitions of products from certain countries and regions. According to incomplete statistics, Shanghai has, during the last 3 years of the Sixth 5-Year Plan period alone, come to increase its knowledge of the international market by organizing 33 exhibitions of products from foreign countries involving textile machinery, the rubber and plastics industry, medical appliances, the automobile industry, metallurgy, the chemical industry, electronic semiconductors, and energy-saving instruments and meters. In addition, Shanghai has, during the

Sixth 5-Year Plan period, participated in the annual spring and autumn trade fairs held in Guangzhou and organized at different times exhibitions of Shanghai's products in Shanghai and Hong Kong. These exhibitions have yielded favorable results and helped to increase the sale of products from Shanghai.

With the further implementation of the open door policy, Shanghai has continued to expand its foreign economic and trade operations. It has sent out several hundred economic and trade missions numbering tens of thousands of persons. Up to now, Shanghai has established nearly 10 economic and trade missions in the United states, Japan, Hong Kong, Panama and the FRG. The various countries and regions have established over 200 banks and firms in Shanghai.

9621/12951
CSO: 4006/496

FOREIGN TRADE AND INVESTMENT

TIANJIN MAKES NEW GAINS BY ADOPTING OPEN DOOR POLICY

Tianjin TIANJIN RIBAO in Chinese 9 Nov 85 p 1

[Article by Liu Fengxiang [0491 7685 5046] and Ji Xipu [0370 1585 2613]]

[Text] Li Lanqing [2621 1526 3237], deputy mayor, stated at a public lecture on the foreign economic and foreign relations situation in Tianjin yesterday that as a result of adopting the policy of further opening up to the outside world, the city has achieved gratifying results in making use of foreign capital in importing technologies, increasing the amount of exports, concluding labor contracts and engaging in construction projects in the areas open for development. By the end of October, it had fulfilled 87 percent of its export quota for the entire year. It is expected to exceed the export quota set for it by the state.

Tianjin has made rapid progress in using foreign capital to establish joint enterprises. By the end of October, 140 contracts had been signed and 50 projects had been completed and put into operation, 42 between January and October of this year. The products of some of the joint enterprises, such as portable bicycles, high-grade ceramic tiles, small-scale electronic programmable telephone switchboards, large construction tires, dry-chemical fire extinguishers, and single cylinder automatic washing machines have filled a gap which had previously existed. Among such products, large construction tires had had to be imported for a long time. After the joint enterprises went into production, they have not only satisfied domestic needs but also sold 60 percent of their products in the international market to increase their foreign exchange earnings.

In addition, a good start has been made in construction projects in the development zone. Several factories have been built on what used to be wasteland and salt flats. Contracts for construction work and labor cooperation projects signed with foreigners are being developed to cover various trades and businesses, different types of production, and different functions.

From January to October of this year, the number of labor contracts signed with foreign firms increased more than fourfold compared to the same period last year. Over 770 laborers and technicians have been sent to foreign countries. Seamen from Tianjin has been assigned to eight foreign freighters. Progress has also been made in the establishment of joint industrial enterprises abroad.

With a view to speeding up the pace of technical reform and progress in industries, over 400 contracts amounting to over $300 million were signed with foreign countries last year; 102 of the projects, which went into production the same year, were instrumental in increasing the value of production by over 320 million yuan, or one-fourth of the newly added production value of the entire city. Another 186 projects will also be inspected and put into operation during the year. The import of these projects will enable the 26 key trades and industries in the city to achieve the international technical standard of the late 1970's and 1980's and to produce a range of hot-selling goods to increase the city's export earnings.

9621/7051
CSO: 4006/495

OPEN DOOR POLICY BOOSTS HEILONGJIANG BORDER TRADE

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 11 Dec 85 p 3

[Article by Zhang Chijian [1728 2170 1017]]

[Text] It is much easier to visit Heihe, the northermost city in our motherland, than ever before. It takes only 85 minutes to fly from Harbin to Heihe along the "Harbin-Heihe" air route which opened the middle of last month. Prior to its opening, it used to take over 20 hours to travel the distance by train or car.

Following an inspection trip to Harbin in August 1984, Comrade Hu Yaobang pointed out in clear-cut terms that emphasis in the work being done in the border region should be shifted to economic construction, that, as in other parts of the hinterland, an effort should be made to invigorate the local economy and that the open door policy should have as its objective "the vigorous development of the border region and the enrichment of the people." In line with this spirit, the Heilongjiang party committee and the provincial government have relaxed the policy for the border region; larger subsidies are are paid to counties which are financially unable to support themselves; industrial and commercial taxes are being reduced to a suitable extent for certain counties; the entire amount of agricultural taxes is to be retained by the counties and cities instead of being shared by the province and the region; the barren mountains, grasslands, and lakes which should be allocated to households are to be distributed to the households; under the unified planning guidance of the state, collectives and individuals should be encouraged to invest in the operation of small-scale coal and gold mines; materials necessary for productive construction projects are to be allocated on a priority bases; border trade is to be vigorously developed; and investment in construction projects in the border region is to be increased. These measures have motivated the desire of the people in the border region to develop their homeland, to promote production and to bring prosperity to the long-desolate area.

--Communication development is being stepped up. Individual and collective water and land transportation enterprises are being rapidly developed and the circulation of supplies is being speeded up.

--Mining operations run by the local people have prospered. Since the beginning of the year, over 100 small coal mines have been established by peasants in coal-rich Mishan County. The annual production of coal has climbed from

190,000 tons to 500,000 tons, so that Mishan has been turned from being a coal-importing to a coal-exporting county.

--The number of people and boats engaged in fishing in the rivers in the border counties and cities has doubled since last year. The catch in Xunke County is expected to reach 500,000 jin this year, or over twice the amount last year. The opening of rivers and lakes has also promoted the breeding of fish. In Suibin County alone, the number of specialized fishing households has increased from 38 last year to 165 this year. The water area devoted to fish breeding has increased from 1,000 to over 4,000 mu.

--The "sealing off the pass" phenomenon no longer exists. One after another, the counties and cities have sent people out and invited people in to establish economic relations with the hinterland. Up to now, Heihe Prefecture has concluded 36 agreements with various provinces and cities in the hinterland to import capital amounting to 7.28 million yuan. Half of the projects to be established this year by the city of Suifenhe are to be jointly operated with the hinterland.

--The number of township and town enterprises in 19 border counties and cities has increased from 6,200 last year to over 21,000 this year. The number of enterprises established by households and joint households has increased over fivefold since last year.

--With the increase in the number of people doing business in and visiting the border region as tourists, the tourist trade is being developed from the ground up.

9621/7051
CSO: 4006/495

FOREIGN TRADE AND INVESTMENT

TAX REVENUE FROM FOREIGN TRADE DOUBLES IN SHANGHAI

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Dec 85 p 1

[Article by Li Zhiyong [2621 1807 0516]: "Shanghai's Foreign Trade Tax Revenues Double; Estimated at RMB 42 Million Yuan"]

[Text] Once the enterprises and organizations established with foreign capital have begun operation, tax revenue from foreign trade (not including customs duty) in Shanghai is expected to double this year.

According to statistics of the Shanghai Tax Bureau, tax revenue from foreign trade in Shanghai is expected to amount to 42 million yuan this year, or twice the amount for last year. The number of foreign trade taxpayers has exceeded 1,600 units, or half again more than the same period last year. The categories of taxes levied against foreign trade units include income tax for joint enterprises, income tax for foreign enterprises, the unified industrial and commercial tax, personal income tax, city real estate tax, and use tax for motor vehicles and ships.

At present, the preferential tax policy adopted by Shanghai for foreign investments include: The reduction or exemption from the payment of income taxes in the initial profitmaking period of joint enterprises; the exemption from the payment of unified industrial and commercial taxes on certain links in the import and export chain; a 20-percent income tax reduction for joint enterprises, cooperative enterprises, productive enterprises solely owned by foreigners and over 10 enterprises engaged in the manufacturing of machinery and the electronics industry established in the old city area of Shanghai. With the approval of the Ministry of Finance, a 15-percent income tax is to be levied against enterprises engaged in technically and know-how intensive projects and the prepayment of income taxes for dividends, interests, rent, and patent fees is to be reduced by 50 percent.

9621/7051
CSO: 4006/495

FOREIGN TRADE AND INVESTMENT

EXPORT PLANS FULFILLED AHEAD OF SCHEDULE BY FUJIAN

Beijing GUOJI SHANGBAO in Chinese 25 Nov 85 p 1

[Article: "Fujian, Guangxi Fulfill Export Plans Ahead of Schedule"]

[Text] As the year comes to a close, foreign trade corporations form all over have individually sent in the good news that they have fulfilled their export plans for the entire year ahead of schedule. By 10 November, Fujian Province's foreign trade exports had increased 16.5 percent over the same period last year, and Guangxi's foreign trade exports had increased 15.97 percent.

According to reporter Lin Taigui [2651 3141 6311], by 10 November, Fujian's foreign trade exports reached $359.5 million, fulfilling 50 days early and surpassing by 3.22 percent the responsibilities for exports and foreign exchange earnings handed down to the province by the state. This represented a 16.75 percent increase over the same period last year.

Overfulfilling annual export responsibilities ahead of schedule were the five metals, textiles, and three major types of silk cloth, which had already fulfilled their individual export responsibilities by 111 percent, 161 percent, and 142 percent respectivley.

Under a number of unfavorable conditions, Fujian has worked hard to find sources of good for export. It developed cooperation between the province and foreign countries, and organized the import of a large group of raw materials that were in short supply but were necessary for the production of export commodities and export materials. By now, a portion of the province's counties and cities have already fulfilled their foreign trade procurement plans; the procurement and export volumes for major commodities such as canned mushrooms, Wulong tea, dried vegetables, rabbit fur, cloth shoes, plastic slippers and knitted and cotton textile goods all increased over the same period last year. The export volume of nonferrous metals, silicon crystals and other industrial and mining products doubled.

According to reporter Yi Ling [5030 7227], by 10 November Guangxi's foreign trade system had already overfulfilled this year's export plan handed down by the state by 1.63 percent, 50 days earlier than expected. Foreign trade earning from exports were over $300 million, 15.97 percent greater than last year. Import and export branches of the export commodity bases all fulfilled their annual responsibilities for exports of the five metals, chemicals, and nonferrous metals ahead of schedule. The growth of exports of each of the import and export branch corporations of Beihai Port was relatively fast, and it had already fulfilled the year's export plans distributed by the state and the autonomous region government by 12.3 and 0.8 percent respectively. Exports were 37.3 percent greater than in the same period last year.

Early in the second half of the year, in order to counter the relatively sluggish export growth of the first half of the year, Guangxi's Economic Relations and Foreign Trade Committee adopted the necessary appropriate measures, and gave full play to the state's preferential policy of giving Guangxi a higher level of retention of foreign exchange for products exported. At the same time that is handled planned domestic exports, Guangxi enthusiastically developed export agencies and other methods of exporting. Beginning in July, export growth began to speed up monthly. In conclusion this growth was the vast increase in exports in the third quarter, which enabled Guangxi to rank third in the whole nation in terms of speed fulfillment of export plans.

12582/13068
CSO: 4006/487

FOREIGN TRADE AND INVESTMENT

BRIEFS

PRC CORN MAY ENTER EEC MARKET--This reporter has learned at the just-concluded China Trade Week of the EEC in Brussels that Chinese corn has a possibility to be marketed in the countries of the EEC. During the activities of the present China Trade Week, many foreign businessmen from Western Europe made inquiries about the market condition of Chinese corn. Shen Yu [3947 0056], deputy director of the trade bureau of Harbin Municipality told this reporter that they had not yet sufficiently appraised the possibility whether there are sales possibilities for corn in the countries of the EEC. Because the utilization ratio of corn is very low in China--only 10 to 15 percent of the corn is utilized--most of it is discarded. However, we have become aware at this Trade Week that some countries of Western Europe are carrying out comprehensive utilization of corn, that many substances can be derived from corn, and that the utilization ratio of corn can be as high as from 85 to 95 percent. This would provide corn-producing provinces of China with an opportunity to find export markets for their corn. [By reporter Hao Ping [6787 1627]] [Text] [Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 3] 9808

UK TO BUILD 6 PROJECTS WITH SOFT LOANS--According to foreign reports, Lord Young, British secretary of state for employment, told reporters in Hong Kong on 17 December on the conclusion of his visit to China that the Chinese and British governments have basically agreed on using a soft loan of 100 million pounds sterling for 6 large projects to be carried out in China. These projects will include a coal-burning power plant, a tractor assembly plant, and four other projects for the manufacture of machinery and equipment. Lord Young furthermore stated that both parties have begun discussions regarding 20 additional projects: in the area of communications, the electrification systems for the cities of Sichuan Province; for the city of Shanghai, optical conductor equipment; and later on a large telecommunications development system to be set up in the Changjiang River delta. [Text] [Beijing GUOJI SHANGBAO in Chinese 23 Dec 85 p 1] 9808

CSO: 4006/682

LABOR AND WAGES

TRADE UNION PARTICIPATION IN POLITICS URGED

Beijing GONGREN RIBAO in Chinese 20 Dec 85 p 1

[Editorial: "Trade Unions Should Energetically Participate in and Discuss Governmental and Political Affairs"]

[Text] With the in depth development of the reform of the economic system around cities, more and more new issues have come up before the trade union organizations calling on the trade unions at all levels to participate in the management of politics, economy, culture, and social life of the state at different strata. Recently, based on the request of the All-China Federation of Trade Unions, the CPC Central Committee and the State Council have concurred: 1. In studying and drawing up pertinent plans for economic and social development and important general and specific policies, whenever issues concerning the immediate interests of workers and staff members are involved, the CPC Central Committee, the State Council, and ministries and commissions concerned should notify the All-China Federation of Trade Unions to participate in the necessary meetings or work. 2. The trade unions should be drawn in to participate in the leading organs of various important reforms involving the interests of workers and staff members. 3. Various industrial departments and localities should absorb industrial trade unions and local trade unions to participate in work and activities in this area with reference to the above-mentioned principles. This way will open the channel a step further for trade unions at all levels to participate in and discuss government and political affairs and also add more responsibility to the trade unions in this aspect. Trade unions at all levels must never fail to live up to the expectations of the party and the state and the important tasks entrusted to the broad masses of workers and staff members and energetically and voluntarily do well in participating in and discussing government and political affairs and perform their bounden responsibility and duty to the best they can to push forward the reform and the four modernizations.

The participation in and discussion of government and political affairs by the trade unions amount to the participation by the trade union representatives and workers and staff members of the organization in the management of state and social affairs. "The people have the right to administer the affairs of the country and its economic, cultural, and social affairs through various channels and in various forms according to provisions of the law." This is the right given to every citizen by the constitution of our country. The trade union is the broadest mass organization of the working class and the most important political and social organization in China's socialist political system. Lenin once said: "As far as its position in the proletarian political system is concerned, the trade union is--if it can be so described--standing between the party and the state political power." He thought that the trade union should be the closest and indispensable collaborator of the state political power. Without the active participation of the trade union in administering the political and economic life of the country, the proletariat will not be able to maintain its own rule. Therefore, the trade union has the responsibility and the right to directly and indirectly (namely, by organizing the masses of workers and staff members) participate in administering state and social life and the affairs of the country and society.

The participation in and discussion of government and political affairs by the trade union covers very extensive ground. Issues from political, economic, and cultural to social life, from material civilization building to spiritual civilization building and issues concerning economical and social development planning, especially issues concerning the rights and interests of workers and staff members are related to active trade union participation. However, at present, they should be carried out by centering closely around the reform of the economic system, with emphasis on the cities, and around the reform of scientific research and education. The participation in and discussion of government and political affairs by the trade union do not mean that the trade union will exercise the power and functions of state administration and the administration of economic and cultural affairs but will actively reflect the views, demands, and proposals of the masses of workers and staff members to the party and the state, put forth opinions for solving various issues and, in the course of participating in policy decisionmaking, represent the masses of workers and staff members and safeguard their legitimate rights and interests by properly expressing their legitimate aspirations and demands. The trade union must also energetically publicize among the masses the significance of implementing important policy decisions and unite the broad masses of workers and staff'mmmbers to strive for their realization. It was precisely in this sense of participation in administration that Lenin referred to the trade union as "a school for learning how to take charge of the economy," "a school for learning administration," and a "reservoir" of qualified management personnel for the party and the state. Therefore, the participation in and discussion of government and political affairs by the trade union is an important right of the trade union organization and also an important duty to the state, the society, and the broad masses of workers and staff members.

Trade union participation in and discussion of government and political affairs should be carried out level by level and in multiple channels with the grassroots level as the foundation. Since the masses of workers and staff members are at the grassroots level, all our principles and policies must accept the test of actual results at the grassroots level.

How can a trade union represent the masses if it deviates from the grassroots level and the broad masses of workers and staff members? How can it come up with good ideas and opinions? Trade unions at all levels must go deep in the masses and carry out systematic and thoroughgoing, instead of fragmentary and sloppy, investigation and focus the wisdom and correct opinion of the masses, because only by so doing can fair and feasible views be derived in the process of making policy decisions. Just as summed up by some urban federations of trade unions: that the trade union carries weight in speaking for workers and staff members is entirely attribuatable to investigation and study whose objective is focused entirely on solving problems. It is not sufficient to merely reflect the mass sentiment and opinions to the party and the state, the trade union must also, by means of analysis and proposals, put forth measures capable of solving problems.

Trade union cadres at all levels confronting the new situation should make an effort to improve their ability to participate in and discuss government and political affairs. Under the old management system, the trade union seldom participated in important policy decisions in enterprises and establishments relating to operations and distribution and on very seldom did it grasp the situation and participate in policy decisionmaking in the field of macroeconomical control. The present situation has urged us to give top priority to studying Marxist theory, economic theories and policies, and to strengthening macroeconomic study and striving to bring up all kinds of specialized personnel among our trade union cadres. We must study diligently, ask the experts for advice, and invite experts and the public to help and support trade union work so as to improve our ability to study theory and policies, ability to make comprehensive analyses, and the ability to obtain and handle information. Only in this way can we cope with the strenuous tasks now facing the trade unions.

12662/9190
CSO: 4006/590

IMPORTANCE OF EDUCATING TRADE UNION MEMBERS DISCUSSED

Beijing GONGREN RIBAO in Chinese 21 Nov 85 p 1

[Article by reporters Ma Shichang [7456 0013 2490] and Meng Qingyong [1322 1987 3057]: "All-China Federation of Trade Unions Urges Education Program on Situation and Policies Among Workers and Staff Members Throughout the Country To Develop the Fine Tradition of Trade Unions in Doing Mass Work"]

[Text] Trade unions at all levels should carry forward the fine tradition of the trade union organizations in doing mass work, give full play to their own characteristics and advantages, and expand education on the situation and policies in a concentrated way among the broad masses of workers and staff members throughout the country. These were the demands put forth by Luo Gan [5012 1626], vice chairman of the All-China Federation of Trade Unions, on 13 November in his closing speech at the 3d Executive Committee meeting of the 10th All-China Federation of Trade Unions.

Comrade Luo Gan pointed out in his speech that beginning next year, China will enter into a period of construction under the Seventh 5-Year Plan, in which the restructuring of the economic system around cities will be carried out step by step. The principal tasks lying ahead of the trade unions is to unite and lead the working class to strive together with the people of the whole country for successfully achieving the goal set forth in the Seventh 5-Year Plan and promoting and ensuring the overall reform of the urban economic system. Trade union organizations at all levels must first study well the documents of the National CPC Congress, clearly understand the situation, correctly comprehend the various principles and policies of the party, conscientiously publicize the guidelines of the National CPC Congress among the broad masses of workers and staff members and unify their thinking with these guidelines.

Trade union organizations should teach workers and staff members to treasure the excellent situation, resolutely safeguard the hard-won political situation of stability and unity and advance it by acting like masters of their own affairs. Trade unions at all levels should energetically create a good social environment for the reform by strengthening ideological and political work among workers and staff members.

Comrade Luo Gan said that the broad masses of workers and staff members actively support the vigorously developing reform of the economic system which is sweeping across the country; they are looking forward and hope that the reform will be successful. However, we should also see clearly that some workers and staff members do not really understand our party's policy of "invigorating the domestic economy and opening to the outside world" and still have many vague ideas about the new situations and new problems which have cropped up in the course of the reform; at times they have even expressed doubts about certain issues. For this reason, trade union cadres at all levels should exploit the strong points of the trade unions in doing mass ideological and political work, go deep into the mass of workers and staff members and talk heart to heart with them, widely carry out propaganda and education on the situation and policies, clearly solve certain issues of actual understanding of the party's policies among the masses of workers and staff members, give them correct guidance in distinguishing the principal from the peripheral, and correctly understand and handle certain new contradictions that are bound to surface in the course of the reform so as to give full play to the enthusiasm of the broad masses of workers and staff members.

Comrade Luo Gan emphasized that while strengthening the ideological and political workers among workers and staff members, trade unions at all levels should actively take part in socialist democratic construction, push the democratic management of enterprises forward a step further to a new level, and strengthen democratic and social supervision by the masses in a practical way by mobilizing and organizing workers and staff members to participate in management and appraising cadres through democratic discussion. Unhealthy party style and social conduct still exist in some places, government organizations, enterprises, and establishments, especially certain unhealthy tendencies in the economic sphere, and these have affected the enthusiasm of workers and staff members in some ways. In bringing about a basic turn for the better of party style and social conduct, the trade union organizations must first of all take the lead in staying away from unhealthy tendencies and resolutely boycott all sorts of unhealthy tendencies by taking a clear-cut stand and performing their duties as well as possible. Trade unions at all levels must be concerned with the livelihood of the masses in real earnest, safeguard the interests of workers and staff members, expeditiously reflect the opinions and demands of the broad masses of workers and staff members to the party and government, and help departments concerned solve those raasonable and solvable specific issues. Trade union organizations, as a powerful tie of the party closely linking with the masses, should take the lead in carrying forward the fine traditions of showing concern for the people's livelihood, speak for the workers and staff members, perform more concrete good deeds for them and resolutely struggle against bureaucratic phenomena that show no concern for the weal and woe of the people and undermine the interests of the state and workers and staff members.

Comrade Luo Gan called on the trade unions to emphatically concentrate on the following work next year:

1. They should strengthen the ideological and political work of workers and staff members, carry out education on the situation and policies and

education on the situation and policies and education on the "four haves" [ideals, morality, knowledge, and physical strength], develop the fine traditions of the trade union organizations in doing mass work, combine education on the situation and policies with effective mass self-education activities, such as reading activities of workers and staff members so as to further develop them in depth. The All-China Federation of Trade Unions is planning to organize forces next year to conduct a more comprehensive investigation on the contingent of workers and staff members and call a meeting on ideological and political work of workers and staff members to sum up typical cases, exchange experience, and study policies so as to advance the ideological and political work of workers and staff members in a deep and sustained way.

2. They should mobilize and organize workers and staff members throughout the country to launch a socialist labor emulation drive to be "four-haves workers and staff members, and the main force of reform and win merits in the four modernizations drive."

3. They should strengthen the study of theory and policies.

4. They should continue to strengthen the building and reform of the trade unions themselves and steadfastly see to readjusting grassroots trade union organizations and establishing "worker and staff member families."

12662/9190
CSO: 4006/590

TAIWAN TO ADOPT NEW MEASURES TO ATTRACT HONG KONG INVESTORS

HK250531 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 25 Feb 86 p 5

[By Paul Sham "Recently" in Taipei]

[Text] Taiwan is to step up its promotional drive in Hong Kong to bolster measures already under way to tap outflowing capital from the territory, according to a senior official of the Ministry of Economic Affairs.

The director-general of the ministry's Industrial Development and Investment Centre, John Ni, told BUSINESS NEWS a lack of interest shown by Hong Kong investors last year revealed a better understanding of Taiwan is urgently needed.

Since the 1997 deadline issue broke in mid-1984, Taipei has formulated a number of measures aimed at channelling "escape" capital from Hong Kong into Taiwan.

One of these was to set up a finance sub-committee of the cabinet's Hong Kong Committee and a Hong Kong Compatriots Service Centre under the Overseas Chinese Affairs Commission.

The goal was to strengthen economic links with the territory and develop incentives for investment such as concessions in foreign exchange remittance and taxation.

The Shanghai Commercial Bank of Hong Kong was also asked on Taiwan's behalf to handle offshore time deposits, in addition to allowing Hong Kong Chinese to open foreign currency accounts in Taiwan and invest in the stock market there.

The results, however, have been disappointing for Taipei.

Official statistics indicate investment from Hong Kong totalled US $29 million last year, plunging by 55 percent from a year earlier.

Investment by individual overseas Chinese, as opposed to corporate entities, was down by 33 percent to $11 million in the same period.

Although the offshore banking exercise has produced more than US $6 billion since its introduction in mid-1984, a local banking source described assets flowing from Hong Kong as insignificant.

"The problem is most Hong Kong residents do not understand the situation in Taiwan," said Mr Ni. "Yet, compared with other Asian countries, Taiwan is in a much better position."

Besides this wide misconception of Taiwan's stability, Mr Ni said some Hong Kong industrialists also mistakenly believe the Taipei Government is only interested in attracting large-scale investment.

"It has always been the policy of the government to attract investment from Hong Kong, big or small," he said.

"In fact, Taiwan does not need much foreign capital, but it does need foreign technology, markets and management skills."

Over the past 26 years, Mr Ni said Hong Kong money has accounted for more than 25 percent of total investment in Taiwan by overseas Chinese.

Although foreign and overseas Chinese investment accounted for only about five percent of the island's total investment in that period, it was responsible for generating 25 percent of Taiwan's exports and provided 17 percent of employment opportunities.

Mr Ni declined to give details of new measures in the pipeline to lure Hong Kong investors, but said more economic delegations will be sent to the territory this year and more industrialists from Hong Kong will be invited to Taiwan.

/12929
CSO: 4020/239

TAIWAN EXPORTS UP, IMPORTS DOWN IN 1985

OW080423 Taipei CNA in English 0247 GMT 8 Feb 86

[Text] Taipei, 7 Feb (CNA) -- The Republic of China's [ROC] two-way trade amounted to over U.S. $50.8 billion in 1985, showing a negative growth of three percent in comparison with that recorded in 1984, according to a recent report by the Directorate General of Budget, Accounting and Statistics [DGBAS].

Of the total, exports stood at over U.S. $30.7 billion, representing a slight growth of 0.9 percent over that of 1984 while imports totalled U.S. $20.1 billion, down 8.4 percent from the 1984 level, DGBAS said. The ROC enjoyed a record high of trade surplus of over U.S. $10.6 billion in 1985, DGBAS added.

The United States remained the largest market for the ROC's exported goods by absorbing over 48 percent or nearly U.S. $14.8 billion worth of ROC-MADE products in 1985. Japan was the next by importing over U.S. $3.4 billion or more than 11 percent of the ROC-EXPORTED goods last year, followed by Hong Kong, purchasing U.S. $2.54 billion or 8.3 percent of the ROC exports, DGBAS said.

Japan was the largest supplier to this nation by selling the ROC more than U.S. $5.5 billion worth of goods or 27.6 percent of this nation's total imports in 1985, followed by the United States, exporting U.S. $4.7 billion worth of goods here and accounting for 23.6 percent of the ROC's imports in 1985, and Saudi Arabia, supplying the ROC U.S. $1.36 billion or 6.8 percent of its imports, DGBAS said.

Exports of manufactured goods, such as electronic products, garments and gauze, shoes and toys amounted to U.S. $26.4 billion in 1985, up 0.8 percent, while exports of raw materials and fishery products stood at over U.S. $400 million, down 3 percent from last year.

Imports of crude oil and raw materials, which reached about U.S. $5.1 billion, took the lion's share of the ROC's total imports in 1985, representing a decrease of 12.5 percent from that in 1984, followed by manufactured goods such as electronics, chemicals, mechanical and metal products, amounting to nearly U.S. $12.8 billion, a fall of 8.1 percent from 1984's level, DGBAS said.

/12929
CSO: 4020/239

TAIWAN

BRIEFS

TOYOTA INVESTMENT APPROVED--Taipei, 22 Feb (CNA)--The economics ministry said Saturday that the government's approval of Toyota Motor Company's investment in the Republic of China is in line with its auto industry development project, and is expected to enhance the competitiveness of ROC's auto industry. Vice Economics Minister Li Mo said he believes Toyota's investment will help upgrade the quality of locally-made auto parts and provide domestic consumers with cheaper and better sedans once Toyota begins production here. He denied the government is giving Toyota any preferential treatment, especially regarding its export ratio, saying that Toyota's investment project is different from those proposed by ford or other companies, and therefore, it should not be considered by the same standards. [Words Indistinct] production of sixty thousand in Taiwan will bring impact to the domestic auto market and stimulate domestic auto makers to improve the quality of their products, Lee said. Meanwhile a ranking official with the ministry disclosed that a Toyota representative [words indistinct] has already returned to Japan for discussion with his superiors the VOEA's conditions for the approval. He (?said Toyota) is expected to give a final reply if it will accept those conditions some time next week. [Text] [Taipei CNA in English 1425 GMT 22 Feb 86 OW]

FOREIGN EXCHANGE RESERVES--Taipei, 5 Feb (CNA)--Chang Chi-cheng, governor of the Central Bank of China (CBC), recently confirmed that the nation's foreign exchange [Forex] reserves have exceeded U.S. dollar 23 billion. Chang said, according to CBC statistics, the Republic of China's Forex reserves first topped U.S. dollar 10 billion in June 1983, then climbed to U.S. dollar 22.2 billion by the end of 1985. During the first month of this year, Forex reserves increased by U.S. dollar 0.8 billion, finally topping the U.S. dollar 23 billion mark. [Text] [Taipei CNA in English 0343 GMT 5 Feb 86 OW]

TRADE DOWN--Seoul, 5 Feb (CNA)--Bilateral trade between the Republic of China [ROC] and the Republic of Korea totalled U.S. dollar 440.2 million in 1985, down 13.9 percent from the 1984 figure, an economics official at the Chinese embassy said Wednesday. The ROC exports to Korea last year, amounting to U.S. dollar 253.6 million, was an increase of 0.8 percent over a year earlier, while its imports from Korea, totalling 186.6 million, was a drastic 23.5 percent drop from the U.S. dollar 243.9 million in 1984, according to the official. Based on these statistics, the ROC enjoyed a surplus of U.S.

dollar 67 million in trade with the ROK last year. The official attributed the decline in ROC imports from Korea to the decrease of its purchase of Korean steel billets, a major item which ROC manufacturers can now produce in big enough quantities to export to the ROK. [sentence as received] On the prospects of the two-way trade, the official said as Korea aims to cut its imports while expanding exports, there will be some difficulties to enlarge the ROC's trade with Korea this year. [Text] [Taipei CNA in English 0255 GMT 6 Feb 86 OW]

DRAFTING PATENT PROTECTION AGREEMENT--Taipei, 5 Feb (CNA)--The Ministry of Economic Affairs (MOEA) is drawing up an "ROC-U.S. [Republic of China-U.S.] bilateral agreement on industrial property protection," which stipulates that citizens of both countries will soon be entitled to the mutually recognized and enforced protection of industrial property, including patents and trademarks. The agreement is being drafted by the National Bureau of Standards and is expected to be signed by representatives of the ROC and the American Institute in Taiwan this June. Major points in the agreement will include: --Protection will cover inventions, new styles, new structures, trademarks, company names, the labeling of original manufacturing locations, and protection against unfair trade practices. --Industrial property protection will extend not only to manufacturing and business sectors, but also to agricultural and mining sectors. --Patent protection will cover all kinds of industrial patents. --ROC and U.S. nationals will be entitled to the benefits of industrial property protection and fair trade in both countries. [Text] [Taipei CNA in English 0331 GMT 5 Feb 86 OW]

/12929
CSO: 4020/239

HONG KONG BANKING'S FIRST YEAR OF TRANSITION

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 3, 13 Jan 86 pp 5-6

[Unattributed article: "First Year of Transition for Hong Kong's Economy"; first paragraph source-supplied introduction]

[Excerpt] The year 1985 was the first year of a transition of historical significance for Hong Kong. During this year, Hong Kong's economy was still able to show a certain measure of progress and improvement, despite the slowdown in the peripheral economies and the trend of a rising trade protectionism. To provide our readers with a clearer picture of the performance of Hong Kong's main branches of commerce during the past year and of the developmental trend expected in the new year, the special editorial of this issue will first present an analysis of conditions in the banking business, import-export trade, industry, real estate business and in the stock market, to be followed in the next issue by a continued inquiry into the trends in the gold market, foreign exchange market, tourism, and in the air transport business.

The Banking Business:

Development Amidst Turbulence; Optimistic Prospects for the New Year

Banking in Hong Kong during 1985 was a mixture of glory and ignominy. The Overseas Trust Bank [OTB] ran into financial trouble and was taken over by the Hong Kong Government. Its subsidiary, the Industrial and Commercial Bank, was also forced to undergo reorganization. These events had an adverse effect on the confidence of the public, exerted pressure on some of the smaller Chinese banks, but also accelerated the progress in the reform of Hong Kong's banking trade. On the other hand, deposits continued to increase during the year, funds were ample, and interest rates low. The clarification of Hong Kong's future revived the real estate market and led to brisk activity by banks in their extending credits for high-rise constructions. In addition, foreign financial organizations arrived in a steady stream, injecting foreign capital into the Hong Kong economy, a phenomenon that was also characteristic for last year.

The OTB Crisis and Its Aftermath

On 6 June of 1985, the OTB, the third largest of Hong Kong's Chinese banks, ran into financial trouble and found itself unable to continue business. The Hong Kong Government, thereupon, drew on foreign exchange funds and took over control of the bank. The largest shareholder of the OTB, the Industrial and Commercial Bank, also became implicated and had to be reorganized. Available data reveal that up to the end of June of 1985, the OTB was in the red to the amount of HK$3 billion, and that the deficit of the Industrial and Commercial Bank also reached as high as HK$350 million.

The side-effects of the OTB incident radiated like waves among Chinese banking circles. For instance, the Ka Wah Bank got into a financial squeeze toward the end of June, when the Hongkong and Shanghai Banking Corporation and the Bank of China announced their joint assistance and provided temporary relief. The consortium was later joined by the China International Trust and Investment Corporation, which bought up 90 percent of the bank's shares. In early 1985, furthermore, the Arab Banking Corporation appeared and brought in $732 million of Middle-Eastern money. In the middle of the year, the China Steam Navigation Company bought 1 percent of the shares in the Far East Bank, investing the huge amount of $100 million. Toward the end of the year, the Hang Seng Bank poured $176 million into the Wing On Bank, thereby gaining control of the latter to the extent of 51 percent, following an increase in its share capital. It is therefore safe to say that the turbulent activities and reorganizations among the smaller Chinese banks is also a conspicuous feature of banking during 1985.

Low Interest Rates and Changes in the Deposit and Loan Business

As we entered 1985, deposits in our local Hong Kong banks continued to increase, and this at an accelerated pace. According to Hong Kong government statistics, the total amount of deposits at the end of November 1985 was $439,569 million, an increase of 19 percent over the figure at the end of the preceding year. The rate of increase in the second half of the year was faster than in the first half of the year. Computed for the first half of the year, the rate of increase was 9.5 percent, while it was already above 9.5 percent in the 5 months of the second half of the year. At the same time, foreign currency deposits also increased distinctly; up to the end of November of 1985, the Hong Kong dollar-denominated deposits increased 8.5 percent, and the foreign currency deposits increased 31.2 percent. This is also different from 1984, when deposits in Hong Kong currency were higher than deposits in foreign currencies.

In 1985, there was a slowdown in economic growth in the United States, Hong Kong's main export market, coupled with protectionist pressures, which also constituted even greater obstacles for Hong Kong exports. For this reason, visible trade credits by banks declined 7.8 percent during the first 11 months of 1985. There was a constant decline from May to October; only in November did this tendency stop and turn into an upward trend.

Although Hong Kong's foreign trade suffered a setback, real estate business alone was a flourishing branch of business during 1985. According to Hong

Kong government statistics, bank loans for high rise constructions reached $35,686 million at the end of September of 1985, an increase of 21.5 percent compared with the figure at the end of the preceding year. Bank credits and advances, therefore, could still show an increase of 5.9 percent at the end of November, with the total figure standing at $446,165 million.

The less than ideal performance of the export trade resulted in an only weak inclination for industrial and commercial investments, leaving only a shrunken outlet for the surplus funds available in the banks, and leading, accordingly, to decline after decline in the interest rates, prime interest rates declining from 10.5 percent at the beginning of the year to 6 percent on 18 July; from 2 September to the end of the year, the rate always remained under the 7 percent level. The long-lasting low interest rates for Hong Kong dollar-denominated deposits was also the main reason for the steep increase in foreign currency deposits.

Domestic competition within the banking trade became severe, which was another conspicuous feature of 1985. The fight started with home mortgage loans. Later on, banks would also give loans by way of personal overdrafts, also compete for the exclusive sales rights for commercial paper. All these activities added to the strife-laden atmosphere. In the course of the business competition, the unfavorable situation of the smaller Chinese banks fully revealed itself, and the position of the deposit-taking companies also became much weakened. According to statistics, fixed deposits received by deposit-taking companies at the end of November amounted to $80,015 million, an increase of 10.6 percent compared with the amount at the end of the preceding year, but far behind the 21.4 percent increase at the banks during the same period. As to loans granted, loans received from deposit-taking companies up to the end of September amounted to $128,127 million, a decline of 5 percent compared with the end of the preceding year, while the banks had an increase of 7.3 percent. Here, the loans given by deposit-taking companies declined all along since April 1985, which reflects the fact that some of the deposit-taking companies closed down of their own accord due to business failures, or had their licenses cancelled by the banking supervisory office.

The number of deposit-taking companies declined from 343 at the end of 1984 to 313 at the end of 1985. In this figure two new companies are included, while the number of licensed deposit-taking companies declined by 32 companies.

Accelerated Reform of the Banking Trade

Repeated crises in the banking trade spurred on the reform of the banking trade. Beginning of 1985, the banking supervisory office of the Hong Kong Government submitted five proposals of revised banking regulations. Later, toward the end of November, the Hong Kong Government basically finalized the new banking reform proposals. The main points included in these proposals are the supervision and control powers over the banking trade, the required ratio of assets, and the required ratio of assets to risks. They combine into one set the current sets of regulations, one for the banks and one for the deposit-taking companies, also establish the responsibilities of auditors, etc.

During the discussion of the banking reform proposals, the Hong Kong Chinese banks, the mainland Chinese banks, and the foreign banks raised several questions, such as proposals for "discount windows," a "Central Bank," and a "deposit insurance plan," as well as for certain revisions regarding the three-level financial system for certain foreign financial organization in Hong Kong engaged in offshore banking business. These discussions will have a certain impact on the development of banking in Hong Kong.

Capital Market Gradually Attaining Maturity

Rapid progress was made in 1985 in rendering the Hong Kong capital market into a securities-minded market. According to Hong Kong government statistics, assets held by the banks in the form of deposit certificates, commercial paper, treasury bonds and securities as well as stocks amounted to $131,454 million, while the value of this type of assets at the end of 1984 was $94,289 million, thus having increased 39.4 percent. In addition, there have been extremely large increases in deposit certificates at fixed and floating interest rates and in the issue of commercial papers. According to incomplete statistics, financial organs have issued during 1985 Hong Kong currency deposit certificates at fixed interest rates amounting to $5,385 million, and at floating interest rates to the amount of $1,300 million, while the commercial notes in Hong Kong currency issued by large groups constitute assets amounting to $9,500 million. The issue of retrievable deposit certificates has therefore increased 26.8 percent up to the end of September of 1985 compared with the end of the preceding year, i.e. at a much higher rate than the 18.8 percent during the same period of 1984.

Borrowers in good standing could obtain cheaper capital by issuing commercial notes than by borrowing from the banks, a fact which, of course, weakened the traditional banking business and was one of the reasons for the limited increase in bank loans during 1985. As a consequence, bank income from loan interest declined, and income from service-charge type commissions by those dealing in commercial notes increased.

New Foreign Financial Organizations Arriving Without Letup

Since the beginning of 1985, there was no slowdown in the trend of new foreign financial organizations coming to Hong Kong to start operations. According to the figures of the banking supervisory office, the total number of licensed banks last year was 143, an increase of 3 compared with 1984, which had come from Japan, Spain, and France. However, the Hong Kong offices of foreign banks had increased 18 percent, from 111 at the end of 1984 to 131.

The brisk activity of foreign financial organizations in Hong Kong indicates, on the one hand, that Hong Kong is still considered the ideal location for all Southeast Asian business, and indicates, on the other hand, that following the unwavering implementation and continuation of China's open door policy, Hong Kong will play an even more important role in the future as the gateway to China. These facts will also contribute to the future development of Hong Kong's banking trade.

An Optimistic Outlook for 1986

We may well be optimistic regarding banking business in 1986.

First, Hong Kong can indeed count on some improvements in its chances for economic growth. The U.S. economy is not yet showing any signs of a recession, and a low inflation rate and low interest rates seem ensured. Europe's economic growth is appraised as progressing even faster than that of the United State. China is maintaining the open door policy and its large-scale construction. All these factors seem to ensure a certain development for Hong Kong's exports and entrepot trade, while several large-scale construction projects at Hong Kong itself will also be launched this year.

These will also stimulate internal consumption and investments, and will guarantee the further development of related banking business.

The banking trade has, moreover, undergone some thorough readjustments in the last few years. Taking advantage of the revival of the real estate business and the brisk share market in 1985, many banks have skimmed off good profits, readjusted their business operations, and thereby gained excellent foundations for profitable developments in 1986. The abundance of funds provides the banks with further opportunity to operate to their fullest capacity. There is, furthermore, the chance that interest rates will go up this year, and this will result in higher profits for the banks.

Of course, conspicuous problems will still remain for the banking trade, for instance, the new regulations for the supervision and control of the banking trade that will soon be gradually enforced and the trend of more local Chinese banks starting operations, etc.

Moreover, the question of whether the opening of the second market in Hong Kong will mean a breakthrough success is also something attracting attention Following the increased security-mindedness of the Hong Kong capital market, the development of the second market has become a matter of ever growing urgency. The fluidity of the bank assets, the perfection of the Hong Kong financial system, or even more so the improved quality of Hong Kong as a financial center, all depend on the opening of the second market and its development. It is quite possible that under the impetus of the growing security-mindedness of the capital market, the "discount window" will no more merely be a proposal but will become a program of real substance.

If the banking trade will be able to strengthen its managerial and operational capabilities in the course of the reform of the financial system, and effect internal reorganization and a judicious expansion of the business operations of large and small banks, it will then be possible, with comparatively favorable external conditions, that the banking trade will achieve better results in 1986 than what was achieved in 1985.

9808
CSO: 4006/618

- END -